

FINANCIAL TIMES

Europe's Business Newspaper

MONDAY NOVEMBER 22 1993

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Nigeria report calls for probe into 'leakage' of funds

A confidential report for Nigeria's deposed civilian leader, Chief Ernest Shonekan, attacks widespread leakages in state funds and urges an investigation into \$1.5bn of oil receipts paid into special project accounts in the first half of this year.

The report also reveals that the mid-year limit for this year's national budget has been overshot, with the deficit reaching N26bn (\$540m), far more than the N15.6bn target and just short of the N31.1bn deficit approved for the full 12 months. It also warns of "huge" defence ministry debts. The disclosures come as the UK and its Western European Union partners meet in Luxembourg to consider sanctions against Nigeria's new military government. Page 14; Observer, Page 13; Donors to debate Kenya aid, Page 4

Reforms hit European drug sales: Drug sales in Europe have stagnated following healthcare reforms in Germany, Italy and the UK. Page 14

Prince Charles seeks support: Britain's Prince Charles is frustrated by apparent lack of support from some strong UK government departments for royal visits abroad which could help secure export business for the UK. Page 14; A prince captured, Page 13

US gun controls nearer: US Congressional leaders were negotiating a final version of gun control legislation, after extreme public pressure forced the Senate to pass a bill on the issue by 63 votes to 36. Page 4

115 killed in Macedonia air crash: All but one of the 116 people aboard a Macedonian airliner were killed when it crashed into a hill and exploded near the tourist resort of Ohrid.

Caution on Brussels jobs plan: European finance ministers will today discuss an ambitious strategy for halving unemployment in the European Union by 2000. Ministers are expected to give a cautious welcome, but some member states - notably the UK and Germany - are likely to resist commitments to specific targets for job creation, growth and interest rate policy. Page 2; UK faces up to rules on working time, Page 6

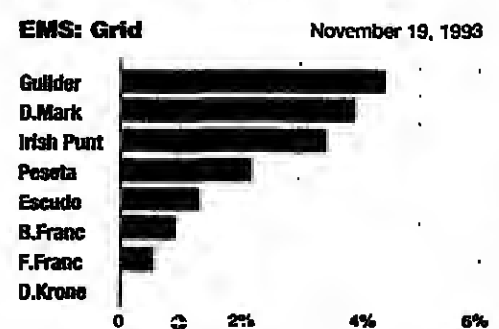
UK PM seeks to reassure Ulster Unionists: John Major, the UK prime minister, moved to regain the initiative in the Northern Ireland peace process by reassuring the Protestant majority that they retained an absolute veto over change in the status of the Province. Page 6

Forté, the UK hotels and restaurants group, is believed to be close to an agreement to sell its stake in Kentucky Fried Chicken to PepsiCo, its partner in the business. PepsiCo is expected to pay Forté about \$40m (\$39.6m) for its 50 per cent stake in the venture. Page 15

Lloyd's agents asked to back Merrett: Lloyd's insurance agents will be asked today to increase support for Merrett-managed insurance syndicates amid fears that their failure could lead to the break-up of the Merrett Group. Page 15

Japan audio makers suffer: Pioneer, the specialist audio and laser disc maker, suffered an operating loss of ¥1.25bn in the first half, while Kenwood, the specialised audio maker, reported a pre-tax loss of ¥2.46bn in the same period. Page 21

European Monetary System: The Dutch guilder continues to be the strongest currency in the system although the gap between it and Danish krone, the system's weakest member, narrowed further last week to 4.51 per cent from 4.77 per cent. In a week of falling money market interest rates in the EMS, the Portuguese escudo continued its steady climb in the ERM rankings, changing places with the Belgian franc to occupy fifth place. Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Italy's ruling party heads for setbacks: Italy's long dominant Christian Democrat Party looked set to be seriously weakened in partial municipal elections involving a quarter of the Italian electorate in 438 municipalities.

Brazil's largest party under strain: Senior politicians from the Party of the Brazilian Democratic Movement (PMDB), the country's largest party, are holding talks which could lead to a split in its ranks ahead of next year's presidential elections. Page 4

City share system: The new share settlement system proposed for the City of London will cost about half as much as the Stock Exchange's failed Taurus project, according to details to be unveiled later this week. But because the new system will be much less sophisticated, companies are likely to have to spend more developing their computer link-ups.

Austria	Sch20	Germany	D-Mark	Spain	Esc20	UK	£1.00
Belgium	Bfr60	Hungary	Hfor100	France	FFr100	Italy	Lira1000
Denmark	Dkr20	Portugal	Esc200	Japan	Yen100	Sweden	Kr100
Finland	Fmk100	Switzerland	Sfr100	South Africa	Rand100	US	\$1.00
France	FFr100	UK	£1.00	Canada	Can\$100	Israel	Sheq100
Germany	D-Mark	US	\$1.00	India	Rs100	South Korea	Won100
Italy	Lira1000	Japan	Yen100	Philippines	Php50	Taiwan	Ntd100
Japan	Yen100	Philippines	Php50	Thailand	Bat100	Thailand	Bat100
Portugal	Esc200	South Africa	Rand100	Taiwan	Ntd100	Thailand	Bat100
Spain	Esc200	Thailand	Bat100	Thailand	Bat100	Thailand	Bat100
Sweden	Kr100	Thailand	Bat100	Thailand	Bat100	Thailand	Bat100
Switzerland	Sfr100	Thailand	Bat100	Thailand	Bat100	Thailand	Bat100
UK	£1.00	Thailand	Bat100	Thailand	Bat100	Thailand	Bat100
US	\$1.00	Thailand	Bat100	Thailand	Bat100	Thailand	Bat100

Four-airline merger plan ends in clash over US link

By our industrial and foreign staff

One of the most ambitious European mergers ever attempted collapsed yesterday after KLM Royal Dutch Airlines, Swissair, Scandinavian Airlines System and Austrian Airlines failed to agree on a common US airline partner.

The four medium-sized carriers said in a joint statement that they had decided to abandon their seven months' negotiations because of "fundamentally different views" on a US partnership. Swissair blamed KLM for the collapse of the proposed Alcatraz alliance, which had been intended to create a fourth airline force in Europe to compete against the big three carriers: British Airways, Lufthansa and Air France.

The collapse of the Alcatraz project is likely to hasten the consolidation of the European industry around the strongest groups, such as BA and Lufthansa, which have already set up global alliances.

Mr Otto Loepp, Swissair's chief executive, said the three other partners had favoured Delta Air Lines, in which Swissair holds a 5 per cent cross-equity stake, but KLM ultimately decided to stand by Northwest Airlines, in which it holds a 20 per cent stake.

Mr Loepp said the four airlines had started negotiations with the assumption that Delta would be the US partner.

But KLM said last night that although it wanted to agree a deal, the Dutch carrier had concluded that the merger should go ahead only if Northwest and not Delta was chosen as the preferred US partner.

The negotiations were described by financial advisers as the most ambitious attempt to date to form a European cross-border merger, since it involved six listed companies and six governments (including the three

■ Dream of freedom turns into a prison Page 15
■ Lex Page 14

Scandinavian companies and governments involved in SAS).

Although the four airlines managed to reach broad agreement on several complex issues - including the valuation of the proposed joint airline's assets, its headquarters location and joint management structure - the talks remained blocked on the US partnership issue.

Mr Loepp said the four had considered having more than one US partner but decided against that on the ground that it would be confusing to customers.

Failure of the talks has now left the four airlines with the dilemma of how to secure their longer-term future in the increasingly competitive and rapidly consolidating airline industry.

All four sought to put on a brave face yesterday. KLM, which failed in earlier partnership attempts with Sabena of Belgium and British Airways, said it had no plans for the moment to resume merger talks with BA or to seek a separate deal with SAS.

SAS said it had not dropped the idea of an alliance with one or more European airlines, but Mr Tage Andersen, the Danish chairman of the SAS board, said the airline would stand alone for a period to consider its options. "This is not a catastrophe," he said.

Swissair also said it would seek other alliances. Mr Hennes Goetz, the airline's chairman, recently said if Alcatraz flopped, the only option left for Swissair would be to join forces with Lufthansa, Air France or BA.

Austrian Airlines, the smallest of the four, said it would be considering co-operation with Swissair and Lufthansa, which disclosed this year that it was interested in establishing closer ties with Austrian.

Leaders foresee wider economic partnership after historic summit

Pacific rim ushers in 'brave new era for trade'

By Alexander Nicoll and George Graham in Seattle

Leaders of Pacific rim countries, meeting in an unprecedented summit at the weekend, set out a vision of economic partnership which they said would give the Asia Pacific region a new voice in world affairs and would spearhead global growth in the 21st century.

Although they stopped far short of establishing a formal economic community, the leaders from the Asia-Pacific Economic Co-operation grouping indicated gathering momentum by agreeing to meet again in Jakarta in 1994 and calling a meeting of finance ministers in the first half of the year to discuss macroeconomic developments and capital

PAGE 5
■ Weary Clinton sets sights on Pacific goals
■ Hosokawa wins respite in battle on market access
■ Chinese leader cuts a figure on the world stage
■ Lex Page 14

flows. The heads of government of the US, Japan, China, Canada, Australia, New Zealand, South Korea, Indonesia, the Philippines, Singapore, Thailand and Brunei, together with ministers from Taiwan and Hong Kong, met for six hours in a replica of an Indian log longhouse on Blake Island, near Seattle.

The summit, held at the invitation of President Bill Clinton, was symbolic of the rapid growth of Asian economies and Pacific trade. It was remarkable for its studied informality, with few prepared statements and plenty of chairs in small groups.

The leaders issued a "vision statement" which stressed well clear of the many bilateral problems dividing Apec members and contained few specific commitments, but said: "Our economies are moving toward interdependence and there is a growing sense of community among us." The region, they noted, accounts



Fingers crossed: US president Bill Clinton bids farewell to Japanese prime minister Morihiro Hosokawa on the ferry from Blake Island, Seattle, after the Asia-Pacific Economic Co-operation summit

for 40 per cent of the world's population and 50 per cent of its gross national product.

The statement's vagueness underlined the nervousness of Asian countries about creating new formal structures for co-operation, and particularly about "agreeing" to anything which could be interpreted as submitting to US domination.

However, Mr Paul Keating, the Australian prime minister, said the summit had "diminished" fears some countries might have had about the US and its motives and the whole development of Apec.

Mr Clinton said: "We've agreed that the Asia-Pacific region should be a united one, not divided. We've agreed that our economic policies should be open, not closed."

The leaders were emphatic that they were not attempting to establish an exclusive trade bloc and that they were determined to win a strengthened General

Agreement on Tariffs and Trade. Most Apec countries, in a bid to give impetus to talks on the CATT Uruguay Round, offered new tariff cuts in an agreement hammered out by ministers in Seattle last week.

Mr Clinton said: "We want Europe to work with us to get a good CATT agreement by the end of the year. That's the message we want to send to our European friends." CATT negotiators in Geneva are seeking an accord by a December 15 deadline.

Mr Winston Lord, the US state department official responsible for Asia, told reporters: "I think we will look back in ten or twenty years time and consider that this leaders' conference was a turning point in the Asia-Pacific." Apec members were, he said, moving towards forming a community "in the sense of a family and in the sense of shared purpose."

The US enthusiasm for partnership with Asia underlines Mr

Clinton's recognition of the region's growth and the need for the US to be involved in it for the sake of its future prosperity. However, he also emphasised that the US was stepping up its focus on the pursuit of human rights and democracy, as well as market access.

Mr Clinton's bilateral meetings with China's President Jiang Zemin and Mr Morihiro Hosokawa, the Japanese prime minister, produced no new commitments. China's insistence that the US should not link trade and human rights issues found an echo with virtually every other participating country.

Nevertheless, the leaders agreed to establish a Pacific Business Forum which would identify areas in which trade and investment could be facilitated, particularly for small and medium-sized businesses. They will also establish a programme to develop regional cooperation in higher education.

Israel and Egypt plan network power link

By Julian O'Connell in Jerusalem

Egypt and Israel have exchanged letters of understanding to begin detailed work on linking the two countries' national power grids and build a \$1bn (\$600m) pipeline to supply the Jewish state with Egyptian gas.

Both projects mark an early step in what Israel hopes will be a nascent peace dividend in Middle Eastern regional integration. Mr Moshe Shabai, Israel's energy minister, said at the weekend that he had negotiated the deals with Egypt's energy and oil ministers, with the approval of President Hosni Mubarak.

Israeli officials said experts from the state-owned electricity corporation would visit Egypt next week to begin a study with Egyptian counterparts on how best to link the electricity grids, which could be "done at once". The study will be financed by the European Union. Mr Shabai said the linking of regional electricity systems could save Israel \$200m and Egypt \$78m by eliminating the need for parallel power lines.

Israel also hopes to include Jordan, Turkey and Syria in a

New way to start the week with the Financial Times

Today's Monday FT has a number of new features and services. Our aim is to provide readers with a lively and authoritative guide to the week ahead by highlighting the events and trends which could shape their week.

The new Monday FT will include:

- The FT Guide to the Week Ahead on the back page of section II.
- Significantly expanded coverage in section II of what could be in store for companies and markets. Peter Martin, financial editor, explores global investment trends. A special table analyses worldwide investment returns. Peter Norman, economics editor, and Edward Ballis of our leader-writing team, look at emerging economic policy debates.
- Special reports on the week ahead for companies, the international bond, equity and foreign exchange markets.
- A new page will take a fresh look every week at the increasingly popular emerging financial markets, especially in Asia and Latin America.
- The FT Guide to World Currencies, normally published on a Tuesday, will now appear on Monday, providing this comprehensive exchange rate information at the start of the business week.

Richard Lambert, the editor, introduces improvements to the Monday edition

tion at the start of the business week.

● Four new features in the first section of the newspaper: a business travel guide, a column about international executives and jobs, a profile of a leading business figure and an international press review.

As a result of these improvements several features will move or disappear. We hope this will not inconvenience our readers.

Michael Prowse's column on America moves from the second section back page to the main features pages. The Monday interview will come to an end but regular interviews will now appear on the features pages on Tuesday. The international economic indicators will appear on Tuesday. The FT/Lama bond price table will continue to be published during the week but not on Monday. The construction contracts feature will disappear. Large construction contracts will be reported on the news pages.

I would welcome readers' views on these changes.

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Watches of Switzerland

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NEWS: INTERNATIONAL

Some EU states are likely to resist targets in plans to boost economy

F Caution on Brussels jobless plan

By Lionel Barber in Brussels

European finance ministers will today discuss an ambitious strategy for halving unemployment in the European Union by the year 2000.

The strategy is outlined in a European Commission report intended as a call to arms for a common approach on tackling the economic crisis and restoring European competitiveness. Ministers are expected to give a cautious welcome, but some member states - notably the UK and Germany - are likely to resist commitments to specific targets for job creation, growth and interest rate policy.

The Commission's paper, *Restoring Growth and Employment - Strengthening Convergence*, has assumed added significance as a guide to macroeconomic policy as a result of the collapse of the European exchange rate mechanism last summer.

Among its chief recommendations are a cut in the EU average of short-term interest rates of between 2 and 3 percentage points, conditional on curbs in wage rises and public deficits; a cap on real wage rises set at 1 percentage point below the rate of productivity; an inflation target of between 2 and 3 per cent; and annual economic growth of 3

per cent from the mid-1990s. The Commission also appeals for more flexible labour markets and a reduction in employment taxes, although it remains unclear how Brussels intends to propose funding these ideas.

Inside the Commission, officials are divided on whether to recover the loss in revenue through taxes on pollutants such as carbon dioxide, higher value added tax, or taxes on income from savings and investment. Another proposal is to penalise equipment deemed to be polluting, though this has been condemned in some quarters as a threat to the internal market.

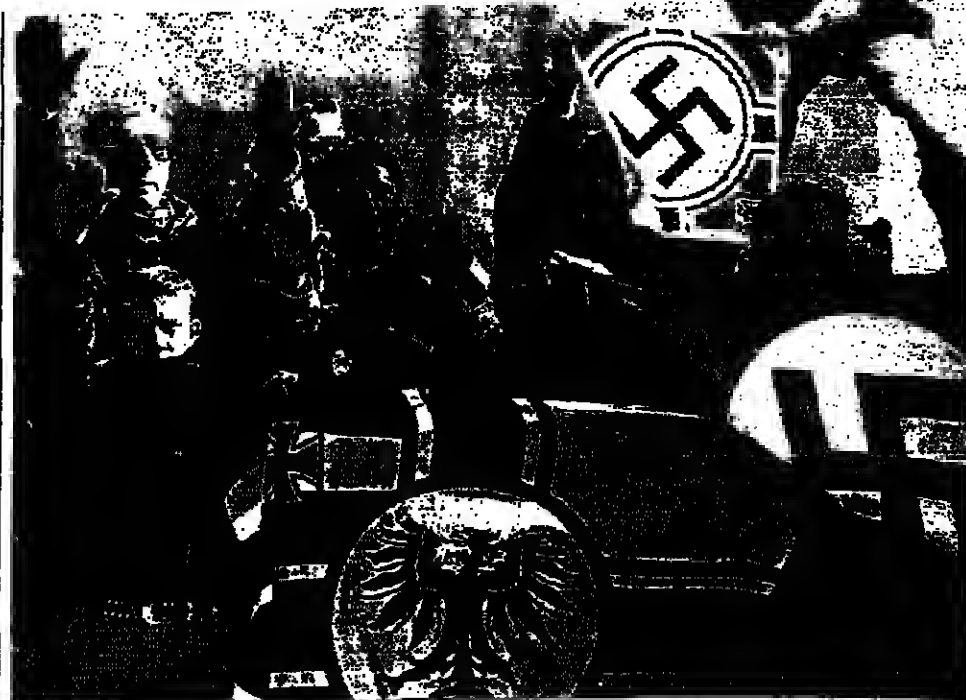
Pro-labour forces are also pressing for a tax on capital to offset the sacrifices which employers and governments are expected to require from trade unions. They hope to receive a sympathetic hearing from Mr Jacques Delors, president of the Commission, who appears to have abandoned his earlier trial balloon in favour of a tax on speculative capital flows.

Mr Delors is close to completing his separate White Paper on competitiveness for the Brussels summit next month. Finance ministers led by Mr Kenneth Clarke, UK chancellor of the exchequer, are pressing hard to examine

the White Paper ahead of the summit to test whether the Commission has incorporated members' submissions.

However, Mr Delors is said to be reluctant to hand over the whole Commission document, arguing that it would risk being mutilated by those seeking to strengthen their anti-Brussels credentials at home.

The Delors White Paper offers a framework for public discussion rather than directives for action. Though similar in content, the macroeconomic guidelines carry more formal weight since they have to be adopted by EU leaders under the Maastricht treaty.



Neo-fascists demonstrate in Madrid on the 10th anniversary of the death of General Franco

Finance ministers plan tighter banking supervision

By Lionel Barber in Brussels

European Union finance ministers are close to a deal on proposals to strengthen banking supervisory authorities in the wake of the collapse of the Bank of Credit and Commerce International.

Ministers from the Twelve will today review a Belgian presidency document which paves the way for tighter

supervision of all financial institutions, including banks, credit institutions, and insurance businesses.

A central feature of the proposal is the requirement for transparent operations. The idea is to make it easier for the regulatory authorities and auditors to establish the financial soundness of a financial institution and, if necessary, prepare a case for intervention.

Other proposals for avoiding a BCCI-style scandal include:

- A requirement that financial institutions maintain their head offices in the same member state as their registered offices.
- An extension of the list of bodies with which confidential supervisory and prudential information can be exchanged by the authorities.
- Guidelines on whether audi-

tors should be allowed to extend the scope of their reporting beyond the affairs of a specific financial institution to a group as a whole. This could allow auditors to track down, say, suspicious intra-company loans or outstanding debts.

The Belgian presidency of the EU and the European Commission have been co-operating to iron out last-minute difficul-

ties among member states. A UK diplomat last week predicted there was a good chance of agreement.

The Commission said last summer that the basic approach of its second banking directive, investment services directive and third-generation insurance directive remained sound. But it was necessary to put forward new provisions to strengthen supervisory powers.

Greek bank governor resigns

By Keri Hope in Athens

Greece's central bank governor, Mr Efthymios Christodoulou, resigned at the weekend in response to pressures from the socialist government.

Mr Christodoulou, a former economy minister appointed by the previous conservative government, said he was stepping

down to make way for someone "closer to the government's political conviction".

Although the socialists had been expected to sack Mr Christodoulou because of his close connections with the opposition New Democracy party, the timing of his departure was a surprise.

His presence at the Bank of

Greece was seen as a guarantee of stable exchange rate policy while the Socialists worked out measures to confront Greece's rising deficit.

The favourite to replace him is Mr Konstantinos Bontas, another former economy minister who is close to Prime Minister Andreas Papandreu.

Ex-minister admits taking funds

Mr Paolo Cirino Pomicino, a former finance minister and a prominent Christian Democrat in Naples, has admitted receiving illicit funds, writes Robert Graham in Rome.

In an interrogation by Milan magistrates at the weekend - the first under new rules loosening parliamentary immunity - he admitted receiving up to L5bn (\$3m) from Ferruzzi-Montedison.

The Ferruzzi family claimed the money was part of L150bn paid to politicians to facilitate the sale of the group's stake in Enimont, the chemicals joint venture with Eni, the state oil concern.

Burgundy prices fall again

Burgundy wine prices yesterday fell for a record fourth consecutive year at France's most renowned annual auction, reflecting a lacklustre world economy and overflowing supplies, writes Edmund Penning-Rowsell from Beaune.

Total bidding at the Hospices de Beaune auction of 1993 wines raised FF10.6m (\$1.8m) for 758 casks compared with FF11.85m for 683 barrels last year.

Red wine prices fell by 25 per cent, and white wine by an average of 7 per cent. The drop reflected lack of interest in the more expensive Burgundies.

European drugs markets turn sickly

By Paul Abrahams

Europe's drugs market, which last year grew 8 per cent, has been undermined by reforms in Germany, Italy, and to a lesser extent the UK.

The German market has been hardest hit. German pharmaceutical groups, often highly dependent on domestic sales, have suffered because of changes in doctors' prescribing habits away from expensive patented products to cheap non-patented products.

During the first four months, sales at the seven largest research-intensive drug manufacturers fell 16.5 per cent, while sales at the four largest generic companies increased 36 per cent, according to the Frankfurter Allgemeine Zeitung newspaper.

World pharmacy drug purchases January-September 1993 in US dollars (million)										
	US	Japan	Germany	France	Italy	Spain	UK	Netherlands	Belgium	
Cardiovascular	\$5,408	\$2,239	\$2,288	\$2,255	\$1,370	\$597	\$640	\$218	\$228	
Alimentary, Metabolism	\$5,281	\$2,787	\$1,823	\$1,531	\$954	\$510	\$714	\$268	\$181	
Anti-infectives	\$5,501	\$744	\$934	\$1,003	\$600	\$326	\$517	\$145	\$174	
Central Nervous System	\$3,419	\$1,215	\$1,010	\$878	\$399	\$309	\$589	\$168	\$111	
Respiratory	\$3,038	\$1,976	\$578	\$1,032	\$639	\$408	\$265	\$79	\$141	
Musculo-Skeletal	\$1,683	\$1,423	\$526	\$405	\$365	\$168	\$277	\$55	\$67	
Blood, Organs	\$1,369	\$1,094	\$363	\$537	\$437	\$168	\$61	\$45	\$45	
Others	\$7,420	\$3,161	\$1,963	\$1,517	\$1,527	\$868	\$745	\$218	\$194	
Total	\$33,169	\$14,639	\$9,345	\$8,958	\$6,291	\$3,354	\$3,779	\$1,197	\$1,141	
% Increase*	4	13	-10	8	-3	12	11	12	5	

Source: IMS International

*Non-hospital market only. *Increase excluding currencies

There are few signs of recovery since the healthcare reforms were introduced in January. Most drugs companies operating in Germany have announced restructuring programmes.

Five European markets continued to grow during the first nine months of this year, according to IMS International, the market research company. French pharmacy drug purchases rose from \$8.93bn to \$9.96bn, an increase of 6 per

cent at constant rates. Drugs purchases in the UK fell in dollar terms from \$4.1bn to \$3.7bn, but rose 11 per cent in local currency.

The Spanish market was one of the strongest in Europe. Although sales fell in dollar

terms from \$3.7bn to \$3.2bn, they rose 12 per cent excluding currencies.

The Dutch market was also strong, registering a 12 per cent rise, although the market was static in dollar terms at \$1.1bn. The Belgian market was also static at \$1.1bn, but increased 5 per cent excluding currencies.

In the seven largest European markets, the hardest hit categories have been drugs for cardiovascular problems, musculo-skeletal complaints such as arthritis, and blood agents. All registered sales declines compared with the first nine months last year.

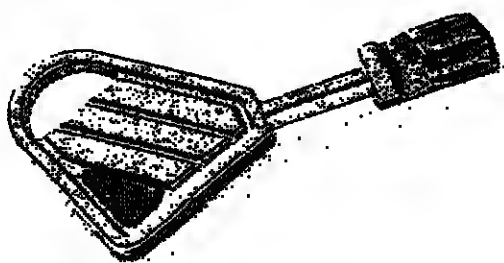
Sales of alimentary and metabolism drugs, mostly for ailments such as stomach ulcers, were static.

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Secret services unite against crime

The Cold War's end has forced agencies to find a new role, Our Foreign Staff reports

Across Europe, secret services are coming to the fore, as they search for new roles and greater public acceptability after the demise of superpower confrontation.

Governments are searching for value for money, while electorates have grown increasingly wary of secret service power and lack of accountability.

The response has been twofold. On the functional side, Europe's secret services have pooled their efforts against cross-border terrorism, and are stepping up co-operation to combat a sharp rise in organised crime stemming from the former Soviet bloc.

On the public relations side, countries such as Britain and Italy, whose intelligence services have traditionally been subject to little public scrutiny, are being forced to shift towards more open practices, similar to those of Germany and the Netherlands.

Britain's MI5 and MI6 and Germany's BND have quickly emerged as the key players in the struggle against drugs trafficking, arms running and weapons proliferation. But intelligence agencies from now-democratic eastern Europe are also being drawn into the fray.

Links with the Russian intelligence service, the successor to the KGB, have been hampered by Moscow's admission that it is still spying on the west, particularly for scientific and industrial intelligence.

But MI5 has held training courses for members of the Czech, Hungarian and Polish intelligence services, designed to remodel these organisations on western lines.

A spokesman for Germany's BND confirmed last week that "contacts" exist with eastern European intelligence agencies, in areas such as drugs and money laundering as well as terrorism.

The Czech republic is a particular focus for attention. Since the beginning of the year about 20 clandestine drugs laboratories have been uncovered there by the Czech police.

How Europe's secret services line up

United Kingdom
The Security Service (SS) is the domestic intelligence agency, reporting to the Home Secretary. It is responsible for the collection and analysis of intelligence on threats to the United Kingdom from within the country. The Special Air Service (SAS) is the special forces unit, reporting to the Ministry of Defence. It is responsible for the collection and analysis of intelligence on threats to the United Kingdom from abroad.

Germany
The Bundesnachrichtendienst (BND) is the federal intelligence agency, reporting to the Chancellor. It is responsible for the collection and analysis of intelligence on threats to the Federal Republic of Germany from abroad. The Verfassungsschutz (VS) is the domestic intelligence agency, reporting to the Federal President. It is responsible for the collection and analysis of intelligence on threats to the Federal Republic of Germany from within the country.

France
The Direction de la Surveillance de l'Extérieur (DSE) is the foreign intelligence agency, reporting to the President. It is responsible for the collection and analysis of intelligence on threats to France from abroad. The Direction de la Surveillance de l'Intérieur (DSI) is the domestic intelligence agency, reporting to the President. It is responsible for the collection and analysis of intelligence on threats to France from within the country.

Italy
The Servizio Informazioni Militari (SIM) is the military intelligence agency, reporting to the Prime Minister. It is responsible for the collection and analysis of intelligence on threats to Italy from abroad. The Servizio Informazioni Diplomatiche (SID) is the diplomatic intelligence agency, reporting to the Prime Minister. It is responsible for the collection and analysis of intelligence on threats to Italy from within the country.

Germany

DOMESTIC: Bundesnachrichtendienst (BND), under Interior Ministry control. Counter-espionage, anti-terrorism, combating extremist political groups. Head: General Ernst Witzel. Employees 2,200, mainly in Bonn and Berlin. Budget DM2.7bn (1993).

FOREIGN: Bundesnachrichtendienst, under control of Chancellor's office. Anti-terrorism, proliferation, drugs trafficking, money laundering. Head: General Ernst Witzel. Employees 8,500, of whom 3,500 in HQ near Munich, rest in 70 foreign "residencies". Budget Officially secret, believed near DM1.5bn.

Italy
DOMESTIC: Sismi, under Interior Ministry control. Anti-terrorism, intelligence collection and assessment; technical support. Head: General Giuseppe De Lorenzo. Employees 4,421 in all branches in January 1993. Following scandals, 467 fired, arrested or retired early. Annual combined budget 1992-1993: of which L258bn covert funds, 1993: L724bn.

France
DOMESTIC: Direction de la Surveillance de l'Intérieur (DSI), under Interior Ministry control. Counter-espionage, organised crime and terrorism; foreign operations; communications and electronic monitoring. Two bodies to be merged into a single Central Security Agency. Employed 4,421 in all branches in January 1993. Following scandals, 467 fired, arrested or retired early. Annual combined budget 1992-1993: of which L258bn covert funds, 1993: L724bn.

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Corruption

curbs Czech crackdown

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Co-operation is taking place with Moscow, too. Last May, Mr Yevgeny Primakov, director of the Russian foreign intelligence service, paid a discreet visit to Prague in an attempt to improve contacts.

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Report by: Tom Burns, Jimmy Burns, Robert Graham and David Marsh

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Among scandals involving former StB agents, the most notorious is an alleged attempt to blackmail Mr Viktor Kozny, head of one of the country's largest investment funds. The alleged blackmailer, who is currently standing trial, is said to have used information gathered by the StB in his attempt to extort money from Mr Kozny.

Since the fall of communism, illicit activities of all kinds have proliferated. They include money laundering, extortion, drugs running, racketeering, prostitution, and trade in weapons, explosives, radioactive materials, stolen cars and pirated videos.

The country has yet to set up an intelligence service untainted by the former regime, writes Patrick Blum

White collar or economic crimes have also risen exceptionally quickly, growing 75 per cent in the first nine months of 1993 compared with the same period in 1992, according to Czech police statistics.

Large quantities of Semtex explosive destined to be sold on the black market have been seized by Czech police since the spring, and several weapons caches have been found.

Before the revolution, the former Czechoslovakia was among the world's 10 largest exporters of weaponry, ranging from tanks to small arms. Large amounts of weapons were left behind as Soviet troops withdrew following the dissolution of the Warsaw Pact military alliance.

Western banks plunged into Russian politics

Leyla Boulton on a pre-election financial curb

With the issue of a single presidential decree, western bankers have become embroiled in the politics of the Russian elections.

Three weeks before the elections to a new parliament, the Russian government has imposed restrictions which it condemned as reactionary when they were demanded by the old parliament. A presidential decree published at the end of last week prevents banks that are more than 50 per cent foreign-owned and have not begun serving residents from doing so until January 1994.

Only two of the dozen western banks that have already received licences to take deposits from Russian customers are spared, because their Russian subsidiaries are already up and running. They are Credit Lyonnais and BNP-Paribas. Bank's joint subsidiary, both of which are in St Petersburg,

rather than Moscow, the country's banking capital. Banks affected by the decree are Chase Manhattan and Citibank of the US; France's Société Générale; the Netherlands' ING Bank and ABN-Amro Bank; Crédit Suisse; Bank of China; and Turkey's Yapi ve Kredi Bankasi, which planned to take a 51 per cent stake in a joint venture bank with Russia's Tokobank.

"How can you give out a banking licence and then a few weeks later say 'Sorry, we've changed our minds'?" said one western executive involved in the Yapi ve Kredi project, which only got its licence on November 1. "It's ridiculous but we'll just have to figure out some new arrangement."

One solution might be for Yapi to reduce its shareholding to 50 per cent but take priority over Tokobank in decision-making. The western banks had no plans to take deposits from

Russian individuals, but the decree deprives them of the opportunity to work with Russian enterprises including lucrative joint ventures with foreign shareholders.

The decree was signed the day after a meeting between leading Russian bankers and Mr Yegor Gaidar, the first deputy prime minister, who heads the Russia's Choice electoral bloc. It fits in with the protectionist promises of other large

Armenia, which has devoted much of its wealth to fighting a war with Azerbaijan, today introduces its own currency, the dram, after much hesitation in abandoning the ruble, writes Leyla Boulton from Moscow.

Moldova, another former Soviet republic involved in ethnic strife, plans to introduce its own currency on November 29. This leaves only Belarus, which is negotiating full monetary and economic union with Moscow, and Tajikistan, sharing the ruble with Russia.

Meanwhile, Lithuania, one of the first republics to leave the Russian economic orbit, has concluded a trade pact with Russia to restore trading links built up during five decades of Soviet rule.

parties competing in the December 12 elections. Apart from the desire to satisfy the powerful banks that are supplying much of the campaign finance, the decree is also part of efforts by radical government ministers to undermine Mr Victor Gerashchenko, the central bank chairman, who granted the licences.

Mr Boris Fyodorov, the finance minister, said on Friday the decree was in line with international practice and intended to protect Russian banks' from losing their best clients and staff at a critical stage in their development.

Banks point to the more than \$3bn accumulated by the International Moscow Bank, the first bank with foreign capital to open in Moscow, to illustrate their claims that prestigious western banks will steal their prized currency deposits without putting more money back into the economy.

They also point to the fact that IMB has lent a much smaller proportion of funds to the Russian economy than top Russian commercial banks.

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Mike Levett, chairman of Old Mutual, talks to John Spira, Business Editor of a leading Johannesburg newspaper.

Spira: With the removal of international sanctions, investments in South Africa could become very attractive. Is Old Mutual in a position to attract international business?

Levett: Without doubt. Established in 1845, Old Mutual is the largest life insurer in Africa and a world-class player in terms of investment expertise. It is these factors which have seen Old Mutual grow to the point where it now administers more than R100 billion on behalf of millions of men and women and is a leading provider of life insurance, employee benefits and investment requirements in African markets. And with our international presence through business operations in Europe, we also understand the needs of foreign investors.

Spira: How would you characterise South Africa's post-sanctions outlook?

Levett: Over the past ten years, South Africa has suffered from net capital outflows. Foreign firms departing and limited access to foreign skills, technology and export markets. Now that sanctions have gone, the medium-term outlook is good, and old and new companies are already returning to the sub-continent. With political stability, growth of 3 to 4 per cent should be possible. The economy is still recovering from recession, though, and steady growth may take a while to come through.

Spira: Would it be excessively optimistic to expect a fairly high level of foreign investment after next year's election?

Levett: Since the mid-1980s, foreign capital has been leaving South Africa, owing to sanctions and dismal perceptions of the political situation. If the post-election political environment is stable, our access to international capital markets will improve immediately, particularly given our good record in repaying foreign debt. With South Africa's status as a large emerging market, foreign portfolio investment can be expected soon, while foreign direct investment should follow in due course. We can thus expect healthy foreign investment within a year or two of the 1994 election.

Spira: Does the Johannesburg Stock Exchange offer good value for the foreign portfolio investor?

Levett: At present, inflation is falling rapidly, interest rates are declining and the economy appears to be pulling out of a four year recession. Company balance sheets are healthy and earnings are starting to recover. Although our market is fairly expensive compared to its own history, by international standards it is still relatively cheap - particularly if priced in financial rands. Given a reasonably smooth political transition, the equity market offers good medium-term value to the foreign investor.

Spira: With assets of more than R100 billion, Old Mutual is South Africa's largest life insurer. Is it perhaps vulnerable, because of its size, to legislation governing competition that a new government is likely to introduce?

Levett: The R100 billion represents Old Mutual's total worldwide business, not only the South African part. It also includes assets managed on behalf of pension funds and other clients. While Old Mutual is South Africa's largest life insurer, there are three other large life insurers and a number of smaller ones in South Africa, making the life insurance industry highly competitive. I do not therefore consider Old Mutual to be vulnerable to legislation designed to enhance competition.

Spira: Do you think it likely that a new government will dictate investment policy to the life assurance industry?

Levett: I hope that can be averted. Developmental needs in the economy will be best served by allowing the various financial institutions, including life offices, to play roles for which they were established and for which they are best suited. This is why our industry, through the Life Offices Association, has created the Investment Development Unit (IDU). The IDU enables the industry to identify and support development investment opportunities that balance the needs and interests of policyholders with the need to mobilise savings for the overall benefit of the country. Over the past year, for example, the IDU has obtained the participation of life insurers in the Eskom electrification project.

Spira: Are you concerned that a new government might look upon the life assurance industry as a soft target for raising additional revenue?

Levett: The assets and profits amassed by life insurers are managed for and behalf of their clients and policyholders. Unduly high taxes would seriously prejudice the millions of ordinary men and women who are policyholders. It would also act as a disincentive for people to make provision for their own future, and the burden would devolve on the state. These considerations, I think, would deter a government from imposing inappropriate taxes on life insurers.

Spira: Old Mutual has a growing life assurance business in Europe. What are its prospects?

Levett: Our group in Europe, the Providence Capital Group, has recently extended its international operations to Ireland. Based in Dublin, Old Mutual International will be marketing life and investment products to Europe. It is envisaged that the tax advantage its position in Ireland affords will provide opportunities to sell into Europe. The other companies in this group are UK-based Providence Capital Life Assurance, which also markets life assurance and investment products, and Providence Capital International, which is based in Germany, and specialises in marketing products designed to appeal to expatriates throughout the world via its extensive broker networks. Both these operations show tremendous growth, whilst also giving us here in Africa a window into international trends against which we can set our standards.

Spira: Do you envisage other foreign operations for

Old Mutual, especially in Africa, where former barriers have fallen?

Levett: Old Mutual could quite well involve itself in other foreign operations in the future, but each would have to meet strict investment criteria. Our focus, however, will remain serving our vast client base in southern Africa. Opportunities to expand into new foreign ventures will be evaluated positively and within realistic parameters. We recognise that in some African countries the environment has become more flexible, allowing for the possibility of offering the benefits of mutual life assurance deeper into Africa. Again, though, our objective remains to look after the interests of our existing policyholders in Kenya, Malawi, Zimbabwe, Namibia and, of course, South Africa before any expansion into new countries will be considered. It is still too early to say whether the new development, to which you refer will provide attractive opportunities for us to pursue.

Spira: Are people of colour progressing in South Africa's assurance industry in general, and in Old Mutual in particular?

Levett: The imbalances of the past cannot be rectified overnight, and this is also true of the assurance industry. But we are all making a concerted effort to create greater equity. Since 1975, Old Mutual has been actively involved in this area, based on emerging markets and the need for appropriate services. There is still room for development, and we are pursuing this. However, our past approach has been vindicated in that people from all backgrounds compete on an equal basis, and many blacks are now winning Old Mutual's highest awards.

Spira: Is the increasingly affluent black market a source of promising business for Old Mutual?

Levett: The proportion of policies issued to black people has increased significantly over the past 20 years. This has happened as a consequence of redistribution of income and real growth in black people's incomes, meaning that proportionately more people are able to afford Old Mutual's wide range of products. We expect this process to continue in the next few years.

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EU and US in crucial Gatt talks

By George Graham in Seattle
and David Dodwell and
Frances Williams in Geneva

European trade negotiators arrive in Washington today for a two-day meeting with US counterparts that is likely to determine the shape and scope of the Uruguay Round package of world trade reform.

"I am confident now that there will be an agreement by December 15," the deadline set for an accord, a European Union negotiator said before departure. "The Washington meeting will decide whether it is a big deal, or something more modest."

While warning that a "small package" would be much harder for national governments to ratify, he signalled that outstanding differences over protection and subsidies for steel presented a stumbling block. Negotiators would be trying to "reduce matters to an absolute minimum" - focusing on market access, trade in services, anti-dumping rules, subsidies and disciplines over support for steel and aircraft.

The Washington meeting between Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, EU trade commissioner, will allow EU negotiators to learn how events of the past week have influenced US strategy towards completion of the Uruguay Round. The EU has been a spectator during the approval by the US Congress of the North American Free Trade Agreement and the US courtship of Asian nations at the Asia-Pacific Economic Co-operation summit in Seattle.

US officials said at the weekend they believed that winning congressional approval for

Nafta had strengthened their hand in the Uruguay Round negotiations and had improved prospects of congressional support for the Gatt deal.

"A good consequence of the Nafta win is that while we really would like a deal, we don't have a high outcome political need for one. When the president says we want a good one, we can mean that," an administration official said.

The Senate voted Nafta through on Saturday by 61-38. A total of 34 Republicans joined 27 Democrats in favour of the measure; 28 Democrats and 10 Republicans opposed it. As the Uruguay Round approaches December 15, after which President Bill Clinton will lose his fast track authority to negotiate without time-by-line congressional oversight, the White House believes that the Nafta battle has re-established a constituency for free trade within Congress.

Mr Clinton said that the US would "not accept a flawed agreement" but added that a good Gatt deal could create 1.4m jobs in the US over 10 years.

Tom Burns adds from Madrid: President François Mitterrand of France underlined that the road to a Gatt agreement remained rocky when he used bilateral weekend talks with the Spanish government in Madrid to deliver a stinging attack on what he said were bullying US tactics following the Nafta accord.

He was supported by Mr Edouard Balladur, prime minister, who warned in a joint press conference with Mr Mitterrand and Mr Felipe González, Spanish prime minister, that the US would have to soften its stance on Gatt.

Weary Clinton sets sights on Pacific goals

The President showed new-found enthusiasm for the region at the Apec summit, writes George Graham

Judging by his haggard looks and weary tones as he delivered his final speech before leaving the Asia-Pacific summit in Seattle at the weekend, one might have thought President Bill Clinton had suffered a dismal week riddled with defeat. In fact, he left the summit as he arrived - riding high.

"Other than being tired, and he is very tired, he is loving it," a senior administration official said.

Mr Clinton came to Seattle fresh from victory in Congress on the North American Free Trade Agreement, and left after a step towards an ambitious vision of the US as a country that looks not only to the Atlantic but also, perhaps with keener interest, to the Pacific.

This vision is rooted in Mr Clinton's desire to place economics at the core of US foreign policy. In his election campaign last year Mr Clinton articulated the belief that US jobs depended on exploiting

trading opportunities overseas, but US officials say he did not make a "gut connection" until the summit of the Group of Seven industrialised nations in Tokyo in July.

His message sharpened by the Nafta debate, Mr Clinton last week in speeches in Seattle closed the circle between international security policy, international economic policy and domestic economic policy. "We cannot remain strong abroad unless we are strong at home," Mr Clinton said. "Stagnant nations eventually lose the ability to finance military readiness, to afford an activist foreign policy or to inspire allies by their example."

At a time when wealthy nations must become ever more productive to meet competition from both low wage countries and highly skilled countries, the only way they can increase jobs and raise incomes is through expanded trade. "There is no alternative. No-one has yet made a convincing case that any wealthy

country can lower unemployment and raise incomes by closing up its borders. The only way to do it is to expand global growth and to expand each country's fair share of global trade," Mr Clinton said.

This emphasis on export opportunities has led the US inexorably towards the Asia-Pacific region, which is not only by far the fastest growing segment of the world economy but also the area with which the US has the largest trade deficit. Japan and China between them account for more than two thirds of the entire US trade deficit.

At the same time, Mr Clinton in Seattle directly linked US military presence in the Pacific and its security treaties with five countries in the region to expanded market access.

"We do not intend to bear the cost of our military presence in Asia and the burdens of regional leadership only to be shut out of the benefits of growth that that stability brings," he said.

The administration is anxious not to snub Europe. The approved formula adopted by even the most Asia-minded US officials, such as Mr Winston Lord, assistant secretary of state for the region, is that "no area will be more important than Asia," and Mr Clinton himself insisted that Europe remained a central partner for the US in security, in foreign policy and in commerce.

But many senior officials can scarcely conceal the feeling that all Europe has to offer them is mature markets with few opportunities for expanded US exports, foreign policy nightmares such as Bosnia, and an unimaginative and backward-looking pessimism.

Turning Mr Clinton's new-found enthusiasm for the Pacific into something concrete may prove difficult. In the first place, the administration's approach to realising its goals in the region is largely built on combining divergent policies previously seen as incompatible alternatives: engaging

China on trade issues while taking a tough line on human rights; aggressively pursuing bilateral trade initiatives while pressing on with multilateral talks in the Gatt round; seeking to expand its free trade agreements in Asia and Latin America at the same time.

"We want it all," says Ms Joan Spero, undersecretary of state for economic affairs, while experts from the Bush administration scoff at their successors' inability to set priorities.

Second, many Pacific nations - including even those with a more western heritage, such as Australia - resent the US efforts to link its own values, such as human rights, market economics and democracy, to trade. Asian leaders look at a US best by budget deficits, governmental gridlock and violent crime, and question whether this is a price worth paying for greater democracy.

Third, many Asian members of Apec have shown reluctance in Seattle to get sucked into

grandiose US schemes for Mr Clinton's "new Pacific community," in which Apec could play the same role of anchoring peace and prosperity in Asia that Nato played in weathering the Cold War in Europe. Several countries remained wary of any attempt to institutionalise Apec with larger bureaucracy and more regular meetings.

US officials describe these reticences as "hitching pangs," and for all their doubts, Apec leaders took several steps in the US's direction. They agreed tariff cuts as a token of sincerity in final Gatt negotiations, accepted the US proposal for a meeting of Apec finance ministers, and agreed on a leaders' summit in Indonesia next year. But the US's Asia vision has a long way to go before, as Mr Clinton hoped, "future generations may look back and say they can't imagine how the Asian-Pacific region could have thrived in such a spirit of harmony without the existence of Apec."



Leaders at the Apec summit held a session in a log cabin on Blake Island off Seattle at the weekend

Hosokawa wins respite in battle on market access

By George Graham in Seattle

Japan's government has won a breathing space to press ahead with its political reforms before it faces more US pressure to open its markets and stimulate its economy.

US officials are increasingly convinced that Mr Morihiro Hosokawa, Japan's prime minister, is bringing real change to his country's political system, and are willing to wait until he can win this battle in the Japanese parliament before pressing their demands for access to the Japanese market.

President Bill Clinton, fresh from a bruising struggle to win congressional approval of the North American Free Trade Agreement, sympathises with Mr Hosokawa's political difficulties.

"The president clearly sees political reform as Hosokawa's Nafta," a senior administration official said, echoing Mr Hosokawa who said the next legislative hurdle, in the upper house, for his reform plans would be just as difficult as the Nafta debate was in the US.

US officials insisted they were not disappointed that the bilateral meeting had yielded no specific progress either on opening the Japanese rice market or on the additional measures to stimulate economic growth that the US believes Japan should undertake.

Mr Clinton said he hoped the two countries would over the coming months take action to

boost the world economy.

"By next June or July, certainly by a year from now, I believe that the responsibilities of the United States and Japan to do more to promote global economic growth will have been in large measure advanced," he said.

Mr Hosokawa, however, said later that he had no idea what Mr Clinton was talking about.

Senior US administration officials said they still believed further stimulus to demand in the Japanese economy would be timely, but said there could be no question of the US trying to dictate to Japan the size or timing of a tax cut or tax reform programme.

Progress on bilateral trade issues is unlikely to materialise until the days before Mr Clinton and Mr Hosokawa next meet on February 11.

"The pattern historically is that change occurs at the eleventh hour. We will have to see if the three key areas of procurement, insurance and automobiles yield concrete results or not," a senior administration official said.

But Mr Hosokawa repeated Japan's opposition to setting numerical targets for foreign market shares, and insisted that the bilateral trade talks could not be a one-way street.

"We will do our best with regard to market access, but efforts will have to be made on the US side to improve its competitiveness," Mr Hosokawa said.

Chinese leader cuts a figure on the world stage

By Alexander Nicoll in Seattle

China's President Jiang Zemin did not quite go to the extent of donning a ten-gallon hat - as did his patron, Mr Deng Xiaoping, when he visited the US in 1979.

But the crusty Communist party general secretary went out of his way to make an impact as a world leader during the weekend summit in Seattle.

Mr Jiang talked expansively but uncompromisingly in a 90-minute session with President Bill Clinton. He had individual meetings with leaders of Indonesia, Australia, South Korea, Canada, Japan and Thailand. He dropped in on a "typical"

middle-class American family, handed out a stuffed panda and a doll in exchange for cookies and a picture of Sleeping Beauty, and brandished pictures of his grandchildren.

For Mr Jiang, the summit could not have been held in a more symbolic city than the home of Boeing, which dominates the local economy. China has bought more than 200 Boeing aircraft since the 1970s and is the company's biggest foreign customer. Thanks to the country's economic boom and renewal of its infrastructure, it promises to remain so.

But if Mr Clinton removes China's most favoured nation trading status, as he threatens to do next year, Seattle would

fear the consequences. Visiting Boeing's "Everett" plant, Mr Jiang pointedly thanked Mr Frank Stronitz, Boeing's chairman, for the company's efforts to maintain China's MFN status. Chinese officials repeatedly pointed out the US would suffer if MFN is revoked.

Mr Clinton, after several months of worsening relations, has embarked on a new policy of closer engagement with China, involving higher-level and more frequent discussions than had occurred since before the Tiananmen Square killings in 1989.

However, he made clear to Mr Jiang this does not imply a lessening of US pressure on China for improvements in

human rights, market access and nuclear non-proliferation - all conditions set by the US president for MFN renewal next June.

On human rights, Mr Clinton spelled out specific demands for International Red Cross access to Chinese prisons; release of political prisoners particularly if they are ill; a dialogue by Beijing with the Dalai Lama, the exiled Tibetan spiritual leader; and access by US customs officials to ensure prison-made goods are not exported to the US.

Mr Jiang delivered a 15-minute statement on the diversity of the world's nations and the need not to interfere in each other's affairs. But he did

discuss the North Korean nuclear threat and indicated China was prepared to discuss the issues which were of concern to the US.

Both men said the meeting was a "good beginning". Mr Clinton said it "established our determination to build on the positive aspects of our existing relations, and to address far more candidly and personally than we have in the past the problems that remain".

China had not been expected to give ground in so public an arena as the first meeting between the two presidents. But Mr Warren Christopher, secretary of state, was encouraged that they had met, that Mr Jiang had not refused to

"engage", and that they had "a vivid and animated discussion".

Despite China's rejection of US demands, stepped-up and forthright dialogue seems likely to continue, with end-year deadlines looming for resolution of market access and textile disputes and congressional hearings on the MFN issue due in January.

Mr Mickey Kantor, US trade representative, said Beijing's trade surplus with Washington could reach \$23bn (£15.6bn) this year and described it as "politically and economically unacceptable." Ms Wu Yi, China's trade minister, responded that "China has never been afraid of sanctions."

INTERNATIONAL PRESS REVIEW

Saudi Arabia

If Saudi newspapers reflect official policy, Israel would be wise not to begin courting its diplomatic and economic champions in the Middle East before the outline peace agreement with the Palestine Liberation Organisation is well and truly hatched. Whatever progress Israel may have made on softening a formerly hostile media in other parts of the world, for journalists in Saudi Arabia it remains a subject ripe for plucking.

The visit to Washington last week by Mr Yitzhak Rabin, Israel's prime minister, was a chance not to be missed. "Peace dividends or fruits of aggression?" was the rhetorical question posed on the opinion page of the daily Arab News. Jewish leaders are making use of the (PLO) agreement to rob the world powers and force them to respond infinitely to their demands. It reiterated of Mr Rabin's talks with President Bill Clinton.

Elsewhere editorial writers contrasted what they saw as the urgent need for financial help in the Palestinian territories, with "American taxpayers' money showering down on Israel with hardly any restraint." They professed amazement "at how far the US is bending over backwards to try to please the Israelis".

Why they should be amazed is more difficult to gauge when Saturday's leader column in the Saudi Gazette explained that the US is prone to "occasional fits of madness". It mattered not to the writer that the US galloped to the rescue when Iraq invaded Kuwait, presumably in one of its saner moments. What so upset him was the US and the UN "tightening the noose of sanctions around Libya's neck" and trying to impose some sort of "biblical justice" on an Arab people at a time when genocide was continuing against the Moslems of Bosnia.

For the record, Saudi Arabia officially supports the Israel-PLO



Nuns vote in Rome yesterday: the scandal-ridden Christian Democrats are set to be big losers

peace process and is closely allied to the US; it is disgusted with the response of the US and the Europeans to events in former Yugoslavia; and local newspapers do not get much opportunity for expressing strong opinions on events closer to home.

Nigeria

General Sani Abacha, Nigeria's new military leader, can expect a rough ride from the local press, even though his first action was to allow some national dailies banned since last July back on the streets.

If the state of a country's press were the only yardstick, democracy would seem to be flourishing in Nigeria. Few countries in Africa can boast such an array of newspapers - over a dozen on sale each day in Lagos, and at least a dozen more available in the rest of the country. It takes more than a coup to inhibit editors who have had to work under military governments for more than 20 of the 30 years since independence.

Not surprisingly, Gen Abacha's removal of Chief Ernest Shonekan, civilian head of a military-backed

government, pushed the clamour against a seven-fold increase in fuel prices off the front pages.

"Shonekan resigns, Abacha takes over government" ran the Guardian's headline on Thursday, before the full impact of the action by the military to oust Mr Shonekan had become clear. By Saturday the impact of Gen Abacha's abolition of all elected civilian bodies was sinking in.

The Guardian, the most respected independent daily in Nigeria, also reported the first foreign reaction. Under the heading "Britain deplores change", it quoted foreign secretary Douglas Hurd's condemnation of military rule.

Italy

With such headlines as "The War of the Mayors" and "Mayors of the new Italy", the outcome of municipal elections dominated the Italian press last week, pushing aside the endless flow of corruption revelations.

La Repubblica summed up the political battle by saying: "Oscchetto versus Bossi and Fini, Martinazzoli risks his job." Mr Achille Oscchetto, leader of the formerly communist Party of the Democratic Left (PDS)

is attempting to demonstrate that the Italian left at last is a credible contender for national government. To do this, the PDS no longer has to beat its historic rival, the Christian Democrats, but rather the protest vote on the right of Mr Umberto Bossi's populist northern League and the neo-fascist MSI of Mr Gianfranco Fini.

Mr Mino Martinazzoli, according to La Repubblica, risks losing the leadership of the Christian Democrats if the party performs poorly - as all the papers predict. Corriere della Sera yesterday observed that the Christian Democrats were relying on the "Truman effect" - a reference to the US president's surprise victory in 1948.

Corriere's chief cartoonist sets the scene with the unseasonal cold weather. Headlined "The forecast", the cartoon shows Mr Bossi pushing a snowball down from the icy north towards central Italy which in turn is receiving the cold wind of the right (a reference to the strong right-wing protest vote expected in Rome), and Mr Martinazzoli under an umbrella in the south. The one piece of good news agreed by all was Italy's success

in securing a place in the World Cup.

Ireland

It was soccer too which drew the biggest headlines in the Irish Republic's press, overshadowing London's and Dublin's latest peace efforts for Northern Ireland.

The World Cup qualifying round between the Republic of Ireland and Northern Ireland last Wednesday was played at Belfast's Windsor Park in front of an almost exclusively, and very hostile, Protestant crowd. The one-all draw was sufficient for the Republic to qualify, but more important for the political commentators, the match provided a handy juxtaposition for them to score their own points.

As one in the Irish Times wrote, the match "may have done more than acres of print and yards of film to give outsiders a whiff of the poisoned gas of communal conflict".

More sportingly, Fintan O'Toole, also of the Irish Times, who described how out of consideration for his physical integrity he spent the match pretending he was a Protestant, had an upbeat view of the result. It produced, he said, "something it's hard to see in Belfast - triumph without victory, joy for one side without defeat for the other, pride at nobody's expense, a game in which everybody has won".

The Irish government must have thought it had scored an own goal last Friday, when it discovered its negotiating position revealed in full detail in the Irish Press daily paper. Who leaked the story? Some papers pointed to an emerging conflict within the Labour-Finnia Fall coalition.

Expectations are high for a positive outcome to the political first - the Anglo-Irish summit in Dublin next month, but the commentators are preparing their readers for what might be an inconclusive draw on home ground.

Contributors: Robert Graham in Rome, Tim Coone in Dublin, Paul Adams in Lagos and Roger Matthews in Riyadh

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NEWS: UK

Major seeks to reassure Ulster Unionists

By Philip Stephens,
Political Editor

Mr John Major, the prime minister, last night moved to regain the initiative in the Northern Ireland peace process by reassuring the Protestant majority they retained an absolute veto over any change in the status of the province.

After the weekend disclosure of fresh talks between Mr John Hume,

the SDLP leader, and Mr Gerry Adams of Sinn Féin, Downing Street flatly rejected any possibility that a revived Hume-Adams peace plan could form the basis for a political settlement.

The prime minister's office similarly dismissed weekend speculation that it might respond to a cessation of violence with an amnesty for terrorists. It declared that the presence and number of British troops in the prov-

ince could not be a subject for negotiation.

That was coupled with a strong reaffirmation that the Government's "constitutional guarantee" to the people of Northern Ireland meant that the democratic rights of the majority would never be prejudiced.

Mr Major is relying on the support of the nine Ulster Unionist MPs to get through controversial legislation at Westminster. More importantly, the

prime minister is aware that without Mr Molyneux's backing it will be impossible to secure a political settlement in Ulster.

Officials said detailed proposals handed by the British to the Irish government for a new constitutional settlement in Ulster did include recognition of Dublin's aspiration to a united Ireland.

But the British draft of a new accord to replace the 1985 Anglo-Irish

agreement fell far short of Dublin's call for a significant element of joint responsibility in the administration of the province.

The Irish prime minister yesterday offered an upbeat assessment of the possibility of a permanent cessation of violence by the IRA and its loyalist counterparts. Mr Reynolds also distanced himself, though rather more gently than the British government, from the Hume-Adams initiative.

Britain in brief



City share system to cost £30m-£40m

The new share settlement system proposed for the City will cost about half as much as the Stock Exchange's failed Taurus project - according to details to be unveiled later this week.

However, because the proposed Crest system will not be nearly as sophisticated as Taurus, individual companies are likely to have to spend more developing their own computer link-up systems.

Specifications from the Crest advisory committee, which is sponsored by the Bank of England, will carry an estimated price tag for building the central system of £30m to £40m compared with the estimated £75m for Taurus.

to figures published today by three environmental groups. The lobbyists are calling on the government to introduce "green" reforms to so-called EU set-aside schemes which pay farmers to take land out of production.

Societies 'may broaden funds'

The UK Building Societies Commission has raised the prospect that powers in the de-regulation bill now before parliament could be used to allow societies to raise more of their funds on the wholesale money markets, enabling them to be more competitive.

Mrs Rosalind Gilmore said there was "no huge magic" about the present limit of 40 per cent of funds which societies can raise on the wholesale markets, set by the Building Societies Act 1986.

Below this overall ceiling, each society has a different limit. The average is about 30 per cent.

Retailer vows to compete

Mr Stanley Kalms, chairman of Dixons, Britain's leading high-street electrical retailer, last night said he would compete "ruthlessly" with new US-style warehouse clubs which undercut goods in his shops.

But he denied telling suppliers that they would have to decide whether they would sell to Dixons or warehouse clubs such as Costco - the first of which opens soon in Essex - offering cut-price shopping to members.

Few companies buy machinery

Fewer than 15 per cent of British companies increased investment in machinery and plant this year in spite of the temporary introduction in late 1992 of 40 per cent, first-year capital allowances, according to a survey.

The results of the Lombard business investment survey, carried out for Lombard North Central, the leasing and hire purchase subsidiary of National Westminster Bank, come a week before the Budget which industry hopes will contain further measures to boost industrial investment.

Britain faces European rules on working time

By David Goodhart,
Labour Editor

The European Union's controversial working time directive will be formally passed in Brussels tomorrow.

Both the British government and employers say that the sting has been drawn from the directive - especially in relation to the attention-grabbing 48-hour week limit.

But there is still plenty of regulation in areas such as night work, and statutory holidays, which could require fundamental changes in three years time. By then the directive will have to be implemented in Britain unless the British government's legal challenge to it should unexpectedly succeed.

Fundamental changes have, indeed, been achieved. For British employers alone there will be no 48-hour week limit for at least 10 years, although no employee can be forced to work more than 48 hours.

Even for employers in other member states the "reference period" within which the working week must not exceed an average of 48 hours will be a minimum of 4 months and, with union agreement, a maximum of 12 months.

But the entitlement to paid annual holidays of at least four weeks per year could have a big effect in Britain, where holiday provision, like much else, has no statutory underpinning. It is not yet clear whether the four week rule must be

Unemployment benefit could suffer deep cuts if plans now under serious consideration by ministers as one of a series of measures to reduce public spending are included in next week's Budget, David Owen writes.

This emerged yesterday as the leak of a document outlining the scope of the government's long-term social security review set the scene for a prolonged and bitter row over the future of the welfare state.

One option being examined is to halve the time for which the 715,000 unemployment benefit claimants were eligible for the £44.65 a week benefit from a year to six months.

If plans to halve the benefit period go through, the jobless would have to rely on income support, which is pegged at £44 a week for a single adult but which is means-tested to exclude those with savings of more than £3,000.

applied on a pro-rata basis to part-time workers, for example. These are important questions in Britain because of the 2.2m employees with no paid holidays, fewer than 20 per cent work 16 or more hours a week with at least one year's continuous service with an employer.

The imposition of the working time directive on Britain, albeit in watered down form, will serve to mark another small step towards British convergence with continental traditions.



Policemen yesterday in St James's Park, London, which has not seen snow in November since 1969

Fax service for weather forecasting

Ice and snow across the UK this week prompted the Meteorological Office to rush forward the launch of a new way to deliver weather forecasts - by fax. Clive Cookson writes.

From today the Met Office introduces Weatherall Fax, enabling fax users to dial up instant copies of the latest charts, graphics and written forecasts. There are estimated to be 1.25m fax machines in the UK.

The Met Office has developed the service with Telephone Information Services, a private London company.

Callers can select 24-hour and five-day forecasts, covering any of 27 local areas, seven regions or the whole country. They can even choose to receive the latest satellite pictures taken from 36,000km up in space - though these take six minutes to come through.

Eurotunnel rejects accident delay

Financial Times Reporters

Fears that the start of services through the Channel Tunnel might be delayed by an accident involving an overhead electrical power line were groundless, Eurotunnel, the operating company, insisted yesterday.

The incident is reported to have happened on November 13, when 25,000 volts were sent down the main power cable and hit an abandoned metal bar which then caused an explosion.

A Health and Safety Executive official said the incident was immediately reported and was being investigated. Agency investigators had visited the scene and would return this week.

The HSE said the incident happened during testing of the system which took electric power to overhead catenary which carried overhead cables through the tunnel.

"The tunnel was cleared of work personnel. The power system was tested, there was an overload, a flash and some

smoke. The system was brought to a halt. The test procedure worked inasmuch as it showed up a fault," said the HSE spokesman.

TML, the contractor, said the incident happened 7km from the UK end of the tunnel, where it is still under land, while a series of tests were taking place.

About 375 metres of overhead cabling was affected. The area had been cleared, as part of standard safety procedures, and no-one was hurt.

Only the catenary electrical

system was damaged and repairs were scheduled to be completed tomorrow.

The cost of repairs was not yet known but would not be high.

Eurotunnel pointed out the cost would be borne by TML. Mr John Noulton, Eurotunnel's director for public affairs, said that some reports of the incident had been grossly exaggerated.

Damage had been restricted to a feeder cable and "it appears at this point that just one insulator failed," he said.

TODAY

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American strike brings chaos to US airports

WHERE IN THE WORLD TRAVEL COULD BE TROUBLE

The strike by flight attendants at American Airlines enters its second week today with unions and management no nearer agreement, and thousands of flights still delayed or cancelled because of the industrial action, writes Patrick Harversoo to New York.

Yesterday American, the largest US carrier, said that nearly half of its scheduled flights were leaving with passengers. It also said the situation was improving each day, and that a growing number of striking attendants were returning to work. The union, however, claimed the majority of American flights were leaving with no passengers, and that over 90 per cent of its members were still on strike.

The strike, which is due to continue through to the end of this week, has caused chaos at airports across the US, stranding thousands of domestic and international passengers. Competing airlines, including Continental, Delta and Northwest, have scheduled additional domestic flights and said they would honour any valid American ticket presented by passengers with prior endorsement by American. On international flights, British Airways and Virgin have said they would honour tickets with an endorsement by American.

POLAND: Flights between London and Warsaw are still heavily disrupted by the dispute between the British and Polish governments over landing rights. British Airways has been banned from flying to Warsaw, while Polish Airlines has been denied access to Heathrow. BA is flying passengers to Frankfurt and then bussing them to Warsaw.

SPAIN: A national strike planned for Thursday could severely disrupt travel. BELGIUM: On Friday Belgian unions are threatening a national strike in protest at the government's austerity plan. FRANCE: Public sector unions plan further strikes against privatisation plans. NIGERIA: The situation is very tense following the announcement of a military government, the dissolution of all democratic institutions and the banning of all political parties.

Non-essential visits should be postponed. An indefinite national strike is disrupting business and services, internal travel and international flights. Industrial action might escalate to rioting, especially in the south west. Residents should exercise caution. There is a high incidence of street crime and armed robberies, especially in Lagos and the southern states. Travelling outside cities after dark is unsafe. Fraud is commonplace. Business people should check credentials of Nigerian contacts thoroughly. Those in doubt should consult the Department of Trade and Industry (Nigerian Desk, tel 071-215-4996). MEXICO: Robbery in Mexico City and other major urban areas is commonplace. There is particular risk on the metro (underground) and around bus stations. Only official airport taxis should be used. Take special care when using taxis late at night.

Airlines desperate for business passengers to fill their aircraft in the slack winter season are vying with each other to offer the most attractive deals.

Across Europe, airlines are wooing their most lucrative clients, the business executives, with special offers. German and UK residents, especially, are on the receiving end of the best prices, ranging from price cuts to free flights and overnight stays in luxury hotels.

The airlines' main weapon is the "frequent flyer" programme. When taking flights, members of programmes earn points which can be redeemed for items such as free tickets or upgrades to business class. Anyone can join an airline's frequent-flyer programme and there is no reason why someone should not join several. In the UK, British Airways' "Dream Ticket" promotion has the highest profile. But behind the hype this is simply a promise to double the number of points collected for a flight taken before the end of March. This means that one business-class return to New York would earn enough points for an economy return to Athens. In the summer, it would have taken two such flights. As always with UK residents flying with BA, the deal only applies for first, business and full-fare economy tickets.

Many business travellers buy discounted tickets in this case, US carriers such as American Airlines and United Airlines offer a better deal. Their double-points offer, for UK residents only, applies for virtually any fare available. On short-haul flights, British Midland also gives awards to buyers of economy-class tickets.

For those living in Germany, this will seem like a good deal. BA and American Airlines will triple the points earned by German residents over the next few months. Cathay Pacific, the Hong Kong-based carrier, is offering enough points with one business-class return to the Far East between now and the end of December for a free business-class ticket within Europe on Austrian Airlines or Swissair.

The desperation to attract German passengers may be because of the depth of the country's recession. Mr Colin Rainbow, commercial director of Paris-based travel agency Wagon-Lits, says that for the first time airlines are selling seats at less than published prices in Germany.

How to win from the winter war

Daniel Green looks at special deals aimed at wooing customers



It is a time when airlines are desperate to fill their aircraft in the slack winter season. They are vying with each other to offer the most attractive deals. Across Europe, airlines are wooing their most lucrative clients, the business executives, with special offers. German and UK residents, especially, are on the receiving end of the best prices, ranging from price cuts to free flights and overnight stays in luxury hotels.

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BRITISH AIRWAYS

In any language the message is the same - good deals can be had.

Danish residents, too, can find discounted tickets: business-class fares on Scandinavian Airline System on some short-haul routes have been cut by 30 per cent. SAS is also offering business-class passengers starting from the UK a free overnight stay in a Scandinavian hotel, provided the trip is made before the end of March. Alitalia has a similar scheme for flights from Italy to London before December 31. Business-class passengers get a free night in a London hotel. This is only a selection of the deals on offer. And the tide of special deals is unlikely to ebb until spring. There is still a recession in the airline industry and over-capacity is widespread. That combination in recent years has meant fringe benefits and cost savings improve through the season.

If - like a quarter of Europe's business air travellers according to a recent survey - your choice of carrier is determined by awards of frequent-flyer points, winter is a chance to push up your total quickly.

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Opera conductors, oui bus conductors, non

Michael Skapinker tests the new airport bus in Paris

Charles de Gaulle airport in Paris has its own way of adding to the disorientation of a traveller arriving in an unfamiliar city.

Getting to the city centre by rail involves a ride first on an airport bus to the nearby RER suburban railway station. Then follows a battle to figure out how the RER connects with the Metro underground system. For French railway users back the clear-lined simplicity of their UK counterparts.

Hence the attraction of the new Roissy Bus service from the airport to the Paris Opera in the centre of the city.

The advantage of this service, which leaves the airport every 15 minutes, is that you use only one mode of transport. At FF30 each way, it also

costs less than taking a taxi. However, the experience of a recent one-day trip to Paris from London suggests that the bus is best avoided. The vagaries of the city's traffic make the service too unreliable for anyone with appointments to keep and flights to catch.

My journey from Charles de Gaulle began at 11.35am. Despite repeated warnings of imminent traffic snarl-ups on lighted signs above the motorway, the bus kept moving. The only incident was a near collision with a car - shrugged off by both parties without any swearing or hooting. We arrived at the Opera at 12.18 pm - total journey time 43 minutes.

The relatively painless ride resulted in a decision to take the bus back to the airport,

leaving the Opera at 6pm. With a British Airways flight back to London at 7.30pm, it was cutting it a little fine, but I assumed there would be less traffic on the way back than there had been at mid-day on my way in.

This was a mistake. The traffic leaving the city was so heavy that I finally arrived at the airport at 7.15pm - light for time and only just able to get on to the flight.

So it will be back to the railway in future. The same journey by RER and Metro costs FF33.50 and should take about 40 minutes.

Understanding that system may require a little concentration but it has the advantage of being reliable - provided no industrial action is taking place.

JOGGERS' GUIDE: New York

In park with Madonna

For most business travellers to New York, fighting the locals for pavement space is the only exercise they ever get.

In such a crowded, noisy place, who could imagine jogging, or even taking a leisurely walk? However, New York offers jogging and walking routes with ample breathing space.

When they want the solitude of woods and water, New York runners head for Central Park, the leafy, 843-acre urban sanctuary opened in 1876. The park's department says it has the city's lowest crime rate. But it recommends runners avoid the park at night and run with a partner if possible.

One of the most popular routes in the park is a 1.8-mile gravel track around the Reservoir, the largest body of water in Manhattan. The access point is at 90th St. and Fifth Ave. The reservoir offers a view of the water and occasional appearances by such celebrity joggers as Jacqueline Kennedy Onassis and Madonna.

For a longer course, there is Central Park's auto loop - six miles of hard-surface road closed to traffic on weekends. The auto loop bypasses great expanses of woods and lawns, including one near West 72nd St called Strawberry Fields, which is dedicated to the mem-



ory of John Lennon.

A run in Central Park takes you past many Victorian-era architectural gems. One is Belvedere Castle, built in 1873 of the same stone that is found thrusting dramatically out of much of the park's landscape. With Norman, Gothic and Moorish features, it overlooks the Great Lawn's softball fields. Other popular access points to Central Park are at its south-east entry (Fifth Ave and 60th St) and south-west corner (Columbus Circle).

In the thick of Broadway traffic, it might be hard to remember that New York is an island. But a refreshing jog along some of the city's waterfront promenades will quickly set you straight. Sliding the

Hudson River, the one-and-a-half-mile-long Battery Park City Esplanade begins at the downtown intersections of Chambers and West Streets. It continues south almost to Battery Park and the tip of lower Manhattan. The route takes you past the World Financial Center and the North Cove Yacht Harbor. The Hudson kicks up stiff breezes. These are cooling in summer but blood-chilling in winter.

On the east side of Manhattan, the East River Esplanade offers a three-mile course, from 6rd St, north to 128th St. On the left, cars whiz by on the FDR Drive. But there are more tranquil sights, such as Gracie Mansion in Carl Schurz Park. Built as a country manor house in 1773 by wealthy merchant Archibald Gracie, it is now the official home of the city's mayor.

Many New York hotels offer advice on the best running routes. The Ritz-Carlton, on Central Park South, distributes maps to its guests that detail three routes of varying length. The maps also list emergency telephone and numbers.

For more information on running in New York, contact the New York Road Runners Club, at (212) 860-4455.

Don Munro

Why does the Christmas office party generate so many funny stories, so much corporate jokelore? The answer is that it has privileged status. Directors and senior executives are so afraid of laying themselves open to the miserable tag "Scrooge" that they will put up with behaviour from employees that would warrant instant dismissal at any other time of year.

Often described as an occasion when anything goes, there are breaches of acceptable behaviour and deportment which would normally shake the very foundations of the organisation. The Christmas "do" provides an annual catharsis for the passions and perversities that lie just below the surface of everyday office life. No corporate principle is left unturned.

Business logic: companies are built on an ethos of thrift, logic and constraint. This is in marked contrast to the over-indulgence, recklessness and lack of control of the office party. Seasonal largesse is expected from the company - but such extravagance can seem indulgent in times of economic stringency. So clients and suppliers are rarely invited; to do so might simply re-enforce their contempt for the company.

There is also a reversal in the customary respect for company property. The office and its immovable furniture is converted into something resembling a Marseilles dock-side dive. Party-goers push desks together, climb on them, dance on them. They spill drinks and stub out cigarettes on the carpets.

Status considerations: initially, the status quo prevails. Senior figures may seem a little stand-offish until they are sufficiently tanked up to mingle. Easy access to the boss at first guarantees a large crowd, but executive awe evaporates proportionately as wine and inadmissible desires take hold. The acolytes drift away from the once-compelling centrifugal figure. A new hierarchy emerges, built on charm and entertainment value.

The group may then exercise collective pressure in getting the boss

Jean-Louis Barsoux says the office party is a logical absurdity

Christmas crackers



to don a paper hat and perhaps perform some embarrassing party piece. The boss will self-consciously oblige for fear of being labelled a party pooper - and may well over-compensate on the clowning in an attempt to establish street credibility.

Loss of dignity is but the first casualty of the evening.

Physical restraint: normally

demure people shout hoarsely over the blaring music; those usually so aware of their body boundaries are suddenly given to extravagant semaphore; physical uprightness turns into slouching, into sitting on floors, then into lurching, sprawling and fumbling. Rational behaviour gives way to drunken exhibitionism. Colleagues, who would never usually lay a finger on one another, slap each other's backs and hug one another shamelessly. This is no

place for the sober or the dutiful. Sexual decorum: normal rules applying to office encounters are suspended as excuses for contact are proffered: loud music requires close proximity of conversationalists, dancing may ensue, the bright strip lights are extinguished and sprigs of mistletoe materialise.

The everyday concentration of people in typing pools, shop floors, and open-plan offices is subverted as individuals seek out the building's nooks and crannies; temporary elopers cavort in store cupboards or computer rooms and find novel uses for photocopiers.

Interpersonal harmony: as the evening draws on, the enforced bonhomie may be interrupted by sporadic outbreaks of conflict. The seasoned campaigner vents his pent-up frustration at being passed over for promotion in favour of a young high-flyer with a thinly veiled joke, an insult, an emptied wine glass or even a scuffle.

Not only is this yearly debauchery alien to the day-to-day idea of acceptable behaviour at work, it is also in contrast with Christmas in the domestic setting. Spiritual aspects of the season give way to one long round of grope, gossip and gripe. Christmas in the workplace owes more to the pagan Viking fertility rites of Yuletide than to Christianity.

All this makes one wonder why companies persist in holding office parties. They are probably responsible for more distress and agonising, more resignations and damaged job prospects, than any other single event in the corporate calendar. They are psychological minefields, viewed by staff with a mixture of excitement and dread.

Yet the truth is that many people derive a morbid enjoyment from grotesque self-revelation and unwise acts, even those that end in squalor, violence or regret. Twelve months, it seems, is long enough for selective amnesia to set in and for everyone to take their chances, once again, on the rollercoaster of merriment and disaster. The article is based on the author's recently published book *Funny Business* (Cassell: £25 hardback, £11.99 paperback).

trial leaders preferred people and team development. Innovation, however, was somewhere in everybody's top five.

Of those currently low on the list, Sundridge Park believes career management will move up the corporate agenda in the next few years. The onus in future, however, will rest more on the individual than the company, with the latter playing a mainly supportive role.

Tim Dickson

TIPS FROM THE TOP

What about the carpet colour?

Mick Newmarch, chief executive of the Prudential Corporation, offers advice on how to move head office

Having emerged only recently from a daunting array of storage crates, I am now free to assess the Prudential's recent move and to offer some advice for those contemplating a similar step.

The corporation left its ancestral home, 142 Holborn Bars, London, in 1988 in anticipation that the building would re-emerge, after restoration and modernisation, stripped of its more arcane features but retaining its Gothic fenestrated charm and tradition. Despite many false dawns, we have not been disappointed. We have returned and have been on the site for all of eight weeks.

A successful move is built upon a monument of planning activity. Equally true, as we have learnt, this monument must be constructed like a piece of Lego, so that as expectations change or deadlines shift it can be quickly reassembled in a different configuration.

Our planning process was based upon a top-level committee, myself included, which contemplated an enormous variety of seriously important decisions ranging from the colour of the carpet to the shape of the dining chairs and the location of the coffee machines.

The committee was served by a professional project manager with the backing of a full-time team. However mundane each small decision may appear, co-ordinating them is a task to rank with re-designing the space shuttle for complexity.

It quickly became apparent to us that a plot of Prudential employees in 1988 equalled a substantial quart in 1993 owing to the growth in the business. I believe this is an inevitable feature of any move: the space is never quite as intended nor the numbers quite as anticipated.

As a result, we took the opportunity to harness the talents and energies of our employees in adapting our working styles and developing ingenious



We could scarcely tell our customers their maturity cheques must wait until we found the crate containing the file

responses to the problems presented by our new environment. Each area had its own move co-ordinator who added the seasoning of commercial realism required to the plans for their own space.

Clearly, a move on this scale risked dislocating our business operations completely. We could scarcely close down our investment operations for a day to move the furniture or tell our customers their maturity cheques must wait until we found the crate containing the file.

Hence the move was staggered over three weekends and handled entirely by professional movers. As a result, everything in sight was labelled, to the point where I wondered if I might be date-stamped and tied up with sticky tape for the duration. This was time-consuming, required discipline, but was extremely worthwhile.

We also took care to consider the sense of well-being of the staff, many of whom had never worked in the old building or in the "foreign" territory of Holborn. We provided maps and guides and a personal welcome pack tailored for each person. An army marches on its belly so we

provided free sandwiches to maintain blood sugar levels. For us, the most positive catalyst to a successful move was the prospect of a visit from the Queen to open the building, only two weeks after our arrival. This galvanised the otherwise jaded into bursts of vacuuming, tidying and urgent activity to control our errant fire alarms.

Finally, it is worth remembering that however detailed the plans, some elements will inevitably escape, just as some carefully chosen furniture will look uncomfortable in its new home and no one understands how the waste bins came to be that perplexing shape.

I am looking forward to the day when we at last locate the keys to the monstrous, but impressive safe in my office, to allow exploration of its contents, untouched since 1988, or even before. I feel, however, a genuine sense of rejuvenation in our new environment: the move for us has been a positive and co-operative opportunity. I encourage others to look on theirs in the same light.

Next Monday: Sir David Plastow of Inchcape on how to plan for board succession.

What criteria should be used for judging good quality managers? It ought to be a routine question for organisers of the many UK business award schemes, but too often it is not properly addressed.

Tomorrow, however, management awards will be made at a lunch in London, based on the qualities which three separate audiences - main board directors of the top 500 UK companies, fund managers and City and business editors - consider

Quality yardsticks

important for generating sustainable growth.

The exercise was kicked off by Sundridge Park, a corporate development practice in the PA Consulting Group, which defined 18 criteria identified through close observation of well-managed organisations. These criteria were then put to a representative sample of the three groups, which were each

asked to select their top five. Significantly, strategic thinking came out ahead of the others in all three surveys, with leadership second in all three.

At that point the consensus cracked, fund managers and City editors emphasising the importance of external yardsticks such as investment planning and research and development, while the indus-

Recently, leading names in aviation, industry and politics were brought together at one of the most successful business events of the year.



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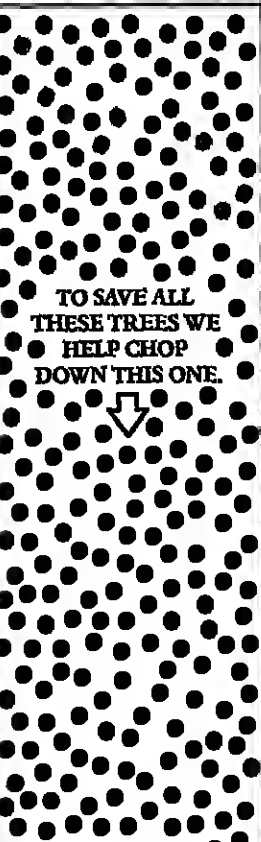
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Brussels, November 1993

THE MONDAY People page

Kirkham bearded in his den

Lucy Kellaway talks to the sofa salesman whose company, DFS, floats this week

Graham Kirkham, an unknown sofa salesman from Yorkshire, has made nearly £300 million but is not satisfied. His fortune is larger than the reputed piles of the Fortes and Weinstocks families put together and three times as big as Charles Saatchi's. Yet his sights are pitched higher still.

"I've got this burning desire," he says. "I'm not happy to be a multi-millionaire, I hear this talk of billions..."

On Wednesday his life's work, DFS Furniture Company, joins the stockmarket. That day Kirkham will be in his office in Doncaster at 7.30 am as usual having made £130m from the sale of half the company. The flurry of publicity over it will be back to the hard graft of making still more money.

The scale of his ambition has left his advisers gasping. "Genuinely ambitious people are rare," one says. "Some end up as dictators. Some go into business. He is the most complete example of the latter type I have ever met."

Two months ago few people south of Watford had heard of Graham Kirkham. Peers in the furniture trade like Derek Hunt of MFI have never clapped eyes on him.

Out of nowhere this businessman has become the City's latest darling. The raging ambition is hidden under a bluff and modest manner; he comes across as the chubby, cheerful chap. Analysts enthuse about his plain-speaking Yorkshire charm, his hard work, and the strength of his business.

Outsiders might wonder at their reaction. The City has seen many entrepreneurs come and go. Retailers in particular have a habit of making a fortune only to lose a large part of it, witness Gerald Ratner, Sir Terence Conran and George Davies.

Moreover, the DFS prospectus contains some eyebrow-raising details: Kirkham has withdrawn £13m from the company before flotation, of which £3.5m was paid in the form of works of art and antiques as a craft piece of tax

avoidance. The company's merchandise manager has several times been convicted for drunken driving; more recently he has been charged with driving when disqualified and refusing to be breathalysed. And finally, as Kirkham is raising no new money for the business, it has to be asked why he is taking the company public at all.

"I went along to the analysts' meeting very cynical expecting to hear all sorts of bullshit but was pleasantly surprised," says Katherine Wynne of Kleinwort Benson. Kirkham, she points out, is different from the giddy entrepreneurs of the 1980s. Many of them, John Asworth at Coloroll for example, came and went in a matter of years but Kirkham has built up a business slowly over a quarter of a century.

Meeting this multi-millionaire is a disarming experience. He talks directly, banter marred only by incoherent assertions of his own high moral sense. "The one person I am accountable to is me. If I can satisfy myself I can satisfy everyone else," he says. According to his own ethical code there was nothing wrong with paying himself a tax-efficient fortune before the flotation - he sought and followed the best professional advice.

When it comes to the merchandise manager and his drinking habits, Kirkham asserts: "I care about people so much it hurts. We will support him as much as possible. I look at the work he's done for the company for the last 19 years. We employ human beings."

Kirkham was born in the little town of Edlington, the only son of a miner. He was a good boy; went to Sunday school, sang in the choir and learnt to be "humble but proper. I was taught not to tell lies, to stand up in buses and to say thank you."

He failed all his O levels, failed to get into the RAF, and suddenly decided to huckle down. He became a sofa salesman, at which he says he was only "run of the mill". Frustrated then at the lack of prospects, he set up his own company, without any capital, in a disused



■ PERSONAL FILE: Graham Kirkham

Born: December 14 1944 in Doncaster

Educated: Maltby Grammar School. Left after taking O levels

Career:

1961: First job at Harvey's, furniture retailer in Doncaster

1966: Set up Northern Upholstery

1973: Started producing furniture on Carcroft Industrial Estate

1979: Opened first of The Dining Centres, selling dining furniture

1983: Bought DFS Furniture from the rescuers

1993: Company floats on the London Stock Exchange

hilliard hall, making sofas upstairs and selling them downstairs. Then 23, with a mortgage and two small children, he was quite unbothered by risk. "If people don't contemplate failure, that is a good reason for them to succeed."

He built up the business steadily, opening out-of-town furniture stores and reinvesting all profits. He believes in hard work; he never takes more than a week or two holiday a year, and neither does any of his top management.

His own optimism and drive are obvious; he prides himself on being able to make others feel the same way. "People who have the germ are set alight by my own enthusiasm," he says. His city advisers, whom Kirkham initially thought had never done a day's work in their lives, were shattered by the experience of floating the company. "It was tiring working with him. He has so much energy," says one.

Yet the explanation of how this energetic and ordinary bloke came to build a business worth £300m is elusive. Kirkham reckons there is no single secret to his success: "I always say our margins of 16 per cent are made up of 64 quarters of one per cent."

Among these 64 little hits is the fact that the boss understands every aspect of his business. He has also formed close and longstanding relationships with his suppliers, and has been clever with his marketing. When he opens a

new store he sends a personal invitation to well-off potential customers offering them a discount. Viewers of Central and Yorkshire TV can hardly tune in without seeing one of his settees.

Whatever the reasons for his success, Kirkham may find he needs new skills as the boss of a public company. Suppliers speculate that his style will have to change under the beady eye of shareholders and non-executive directors. "Make no mistake this has been run as Kirkham's company. No one makes the decisions except him," says one.

Fewer changes are likely to his lifestyle as a result of his £130m cheque. He already has more money than he knows what to do with - he owns a Georgian mansion and has a serious art collection. He makes the astonishing claim that he has no plans for disposing of the new millions. "I've really not given it any thought," he says.

So if neither he nor his company needs the money, why should he voluntarily cramp his style just to list the shares? Kirkham argues that as his children do not want to go into the business, flotation "just seems appropriate". I remind him that Richard Branson and Alan Sugar regretted going public. He starts to say that Branson and Sugar are just two of hundreds of others. He stops and changes his tack. "Those two guys have got beards and I haven't."

UAP's chairman: a very strong taste for privatisation

THERE are few better connected businessmen in France than Jacques Friedmann, the newly-appointed head of Union des Assurances de Paris, the country's largest insurer and one of the stars on the government's privatisation list.

The UAP chairman has the ear of the two most powerful political figures in France - he is a childhood friend of Jacques Chirac, head of the Gaullist RPR party and a front-runner to be the next president, and a trusted adviser to prime minister Edouard Balladur. This is largely the reason for his appointment.

Although regarded as a shrewd manager while he was head of Air France between 1987 and 1993 and at previous posts such as his chairmanship of the Compagnie Générale de

Maritime, he has never worked in insurance. At 61, he may have little taste for the intricacies of premiums, risk analysis and reinsurance. Day-to-day management tasks could therefore fall to Didier Pfeiffer, the respected number two at UAP.

But Friedmann does have a taste, a very strong taste, for privatisation. As adviser to Chirac when the latter was prime minister in 1989-93, he helped draw up the government's privatisation programme. When Balladur and the right returned to power in March, he found himself performing the same function, albeit on a bigger scale.

His close links with the top Gaullist politicians will make him a central figure in French industrial policy and the execution of the state's plans to sell 21 publicly-owned groups.

His first task will be to see to the privatisation of UAP itself. He inherits a company in fairly good shape following the effective management of his predecessor, Jean Peyrelevade.

In October, Peyrelevade concluded a long-running dispute with Suez, the industrial and financial holding company, which gave UAP control of Colonia, the German insurer.

Shortly afterwards, UAP announced first half profits of FF1.09bn (£120m), a rise of 15 per cent over the first six months of 1992, and evidence that the company is on the road to recovery after a dismal performance last year.

With its results on the mend, privatisation of UAP is expected to take place in the first half of next year.

John Ridding

Diplomacy and worry beads

GREECE's new socialist government has persuaded Nikos Kyrizades, a former executive director of the IMF, to come out of retirement to take on the newly created post of debt manager at the finance ministry, writes Kerin Hope.

Greece's domestic debt, now at over 120 per cent of GDP, is ballooning to Latin American proportions. This is partly the result of a previous socialist government's over-generous pension policies in the 1980s. But it also reflects the outgoing conservative government's failure to reach this year's revenue targets because the Greeks could not be persuaded to pay more income tax.

Kyrizades, 66, a former deputy governor of the Bank of Greece, should be the right man for the job. During his tenure at the IMF, he had much to do with the debt restructurings carried out for Brazil, Mexico and Argentina. And when it comes to talking to the European Commission, he can draw on his experience as chief Greek negotiator in the run-up to Greece joining the Community. And then there are the diplomatic skills picked up while serving as Greek ambassador to London between 1982 and 1986, his last job under a socialist administration. He learnt his econo-

ics at Oxford and the University of Chicago.

Kyrizades, one of the few Greek bankers who still flips a string of worry beads while he talks, sounds confident that he can find a way of restructuring part of the Dr5000bn (\$20bn) owed by the government to Greece's commercial banks that will meet with EC approval. But he is leaving nothing to chance. His worry beads are blue, the colour that in Greek eyes brings good luck.

Germans' turn at Europay

KURT RICHOIT, who was dismissed from the board of Commerzbank in May, is to be the new chairman of Europay International, the Brussels-based group formed last year by the merger of Eurocard and eurocheque, writes Katharine Campbell.

Richoit, 54, will chair the board which is comprised of senior executives from 17 member countries including eastern Europe. It is effectively a non-executive role and he will work on average a little more than one day a week.

He replaces Bernard van Eldik, a 64-year-old Dutchman who played a leading role in the Eurocard/eurocheque merger completed in September 1992. The organisation, whose biggest competitor is Visa International, claims to be the highest card group in Europe with some 80m cardholders.

Europay's secretary general Mark Van Wauwe explains that with a British chief executive, Ron Williams, and a previous Dutch chairman, it was felt that the Germans, who have three seats on the 25-strong board, were due a turn. In an unusual move, Richoit, who had been on the board of Commerzbank since 1982, was dismissed after Germany's third largest bank made provisions of DM4500m as a result of the collapse of the Danish insurance company Høfna. The last time a board member of one of the big German banks was dismissed is believed to have been 1980.

Van Wauwe highlights Richoit's varied international experience as well as his grasp of English, Spanish and French. "He has been selected and his appointment has been agreed by the whole German banking community," he adds. The three Germans on the board come from Hypo Bank, the savings and the co-operative banking associations.

While Van Wauwe contends that it was "the union" who backed-up Richoit's departure, Commerzbank says it was the decision of the whole supervisory board. Although the bank lost sizeable sums in lending to the Hines of Olympia & York, it was decided to establish accountability in the Haffnia case because of the size of the exposure to a company that was not a worldwide industry leader. Richoit was the board member with area responsibility for Scandinavia.

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13:15 FT Reports*
15:45 FT Reports*
18:45 FT Reports*
22:30 European Business Today†
23:45 FT Reports*

WEDNESDAY

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12:30 FT Reports†
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Theatre/Malcolm Rutherford

A spectacular Perestroika

Like Proust or Anthony Powell's sequence of novels, *A Dance to the Music of Time*, Tony Kushner's epic play *Angels in America* is not something you should begin in the middle. You should also remember the sub-title. This is *A Gay Fantasia on National Themes*, not the history of America. Even so, there is a lot of American history in this riveting seven hour drama.

Part One, *Millennium Approaches*, opened on the Royal National Theatre's Cottesloe stage in January last year, and was magnificent. It has now been revived as splendidly as ever. It is accompanied by Part Two, *Perestroika*, which initially at least is a disappointment. That is a view which one rapidly revises as the play goes on. By the end, the whole of *Angels in America* is a wonderful theatrical achievement.

One of the problems with Part Two, as Kushner admits, is that he thought of the title before he wrote the piece. "I had this wild-eyed notion that Gorbachev was going to make the world a different place and bring about the advent of democratic socialism," he has said in an interview. The real perestroika has not quite worked out like that, but Kushner kept the title because Gorbachev claimed that his job was simply "to make change irreversible".

Keeping the Soviet background leads to a strange opening. *Perestroika* begins with a speech by the last surviving Bolshevik in the Kremlin in 1986. It is delivered by Harry Towh, the same actor who starts Part One as an American rabbi at an obscure funeral. Any attempt at a parallelism between American and Russian history is quickly abandoned. There are some later references to Chernobyl (as reported to America by the World Service of the BBC) but for the most we return to the original characters.

The surprise here is that the two principal victims of AIDS in *Millennium Approaches* are still alive. Indeed, apart from the Russian interlude, Part Two picks up more or less where Part One left off. There is a trip to heaven as *Per-*



From funeral US rabbi to Russian agitator: Harry Towh plays the last surviving Bolshevik in the Kremlin in 1986

stroika goes on, but it seems to be on a return ticket, and even at the end of the AIDS sufferers survives with the hope of another five years. No-one can say that Kushner is a pessimist: he even includes the New World Symphony.

What do they do all the time? They talk, make love, fall out, then talk again. Apart from the state of America, *Angels* has three main subjects. One is AIDS, another is Roy Cohn, an adviser to Senator McCarthy who died of the disease in 1986, and the third is religion in general and Mormonism in particular. The common thread is homosexual

ity. The period is broadly the Reagan presidency, even if Cohn seems a throwback. In the gay community, it is more of a shock that a young married Mormon should admit to

voting Republican than that he should be a closet gay. To Americans, however, the biggest shock must have been the discovery of Cohn's illness.

Gorbachev was going to make the world a different place... The real perestroika has not quite worked out like that, but Kushner kept the title because Gorbachev claimed that his job was simply "to make change irreversible".

Here was the most rabid right-winger of the lot, claiming to have been responsible for sending the Rosenbergs to the electric chair, exposed as a homosexual with a disease that had then scarcely been identified.

He threatened to sue his doctor if he diagnosed anything more than cancer of the liver.

Cohn is magnificently played in both parts by David Schofield. The young Mormon who has no difficulty in sleeping with him is Daniel Craig. But this is a complex set of relationships, almost as if several plays were going at once. At the heart of it is the affair between Prior Walter (Stephen Dillane) and Louis ("my friends call me Louise"), the lover played by Jason Isaacs, who abandons Walter when the latter's AIDS is discovered. The scene at the end of Part One where they walk together is almost unbearably moving.

Few of the lovers are monogamous. A gay black nurse called Belize (Joseph Mydell) shows how easy it is to come and go. There are also strands involving the Mor-

mon's pill-popping wife and mother. All of these parts are superbly acted.

Yet it is not really the subject that makes *Angels* work. It is the nature of the dialogue and the quick shifting from one scene to another. Kushner is a master of one-liners, moving from quotations from Shakespeare to popular songs within the same sentence. Even in the most intense episodes, there is a burst of wit. The staging of some of the set pieces is spectacular. Note the smart restaurant scene when Cohn is trying to persuade his Mormon friend to commit perjury, and a similar scene at a bar. The immaculate direction is by Declan Donnellan and the design by Nick Ormerod.

In repertory, Cottesloe Theatre, (071) 923 2252

Opera/Max Loppert

Intelligent Lohengrin melds potent myths

English National Opera's new *Lohengrin* is the company's first since 1971. The work is hard to bring off: an amply proportioned Grand Opera fairy-tale about the eternal battle between Good and Evil beneath whose surface Wagner has melded several potent myths dealing with the role of the artist in society, the relationship of the sexes and (viewed through Freudian eyes) the development of the individual psyche.

I suspect that now it is harder to bring off than ever, in a feminism-influenced age suspicious of notions of Elsa-like feminine innocence and Lohengrin-like spotless chivalry, a television-dominated age out of tune with musical spaciousness and stately-paced unfolding and vocally a post-heroic age widely deprived of the type of Wagner voices (broad-spreading, truly mettled, pure and shining of timbre) on which so much of the opera's peculiar atmosphere depends.

So the notable success of this new production lies in its nice balance: simplicity and many-sidedness in the dramatic handling, a precise musical flow established by the conductor, Mark Elder, which enables the drama to work up a powerful, anguished, long-lingering response. This achievement is more than the sum of its parts, as probably an ENO *Lohengrin* is always likely to be: the orchestral playing and choral singing solid and finely prepared but lacking the last ounces of radiance; the casting more on "house" than international considerations; the finish of design made perhaps even plainer than intended by economic stringency here and there one senses that an extra £10,000 added to the budget would have come in mighty useful.

And yet in the first two acts

of Saturday's opening performance there was no doubt that the experience was taking strong hold (I have not encountered the Coliseum stalls in such quiet, concentrated form for a long while). Act 3 began with a functional glitch during which the movement of curtains, a key feature of Hildgard Bechler's set design, seemed briefly possessed by the spirit of Disney's *Fantasia*; the mood was unsettled for a while afterwards, on stage as well as in the audience, and no doubt later evenings will proceed more serenely.

Even then, however, the spare intelligence of Tim Albery's production still exerted itself in multifarious fascinating ways, in line with the best of this remarkable director's work: the recent Opera North *Don Carlos*, say, or ENO *Budd and Grimes* the modernity of the vision is remarkably un-prescriptive. The setting, with its economical yet architecturally forceful outlines evocative of stony, sculptured texture, bold restriction of colour, sensitive gradation of light (by Jean Kalman, a master of his craft), and carefully controlled massed groupings, permits response on many levels: ancient and modern, "mythic" and analytic, narratively straightforward and psychologically probing.

The simpler pleasures of the opera are not scorned: the slow build-up of tableaux, episodic pictorialism, romantic alternations of light and dark. (There's even a real dove.) Neither are the thought-provoking ambiguities: the choreographic embodiment of the swan and final resurrection of Elsa's young brother show as much. The treatment of the main characters is as reverent as the experience of the principals will allow, which means that the Ortrud of Linda Finnie, the

most significant Wagnerian performer on stage, accrues a controlled stillness and depth unmatched elsewhere.

This is not *Lohengrin* as postmodernist lecture-demonstration, but its qualities encourage the audience-member to come to grips with the work in all its rich and problematic aspects. Without Mr Elder, who has matured into a Wagner conductor of genuine and palpable authority, one suspects that the grip would have to be comprehensively loosened. Nothing in the shaping or pacing of the work drew attention to itself; equally, nothing dragged or sagged. The transitional middle-point of the middle act, a perilous moment of possible *Lohengrin* redemption, was sustained as firmly as the previous Elsa-Ortrud encounter had been.

All that the evening lacked was real beauty, and follow-through, of singing. The *Lohengrin*, Elsa and King John Keyes, Linda McLeod, Michael Drake are all young singers of considerable Wagnerian potential and no less considerable patchiness of technique, one longs for a Reginald Goodall to arrive swan-borne on the scene and coach them into a more complete state of "finish". Miss Finnie's powerful mezzo is exercised to its limits: the effect is dangerous, but in the event thrilling.

Malcolm Donnelly's Telramund is sound workaday, Christopher Booth-Jones's Herold admirable. The clear, sensible new translation by Amanda Holden adds greatly to the vividness of the performance, although a handful of betteres "from whence", indeed! remain to be sorted out.

ENO at the London Coliseum: in repertory until December 29; sponsored by Friends of ENO

Early Mozart

The season marking Opera North's 15th year of existence continues, somewhat uncertainly, with a new production of *Il re pastore* (1775), the rare, slender, beautiful chamber opera - properly a dramatic *serenata* - of Mozart's late teenage. Measured by the company's own standards the show is a disappointing case of internal imbalance: decently played and sung (in certain instances rather more than that), feebly and trivially staged.

The excuse may be that it was got up at a last-minute replacement for the *Eugene Onegin* which Opera North decided not to borrow from Welsh National Opera (quite wisely, in my view: that was feebleness and triviality on a much grander scale). The intended *Tatyana*, Joan Rodgers, and Olga, Patricia Bardon, have gone into the *re pastore* cast; the remaining three members of the quintet, freshly engaged, are useful Mozartians and it is the fault of neither the singers, nor the English Northern Philharmonic under Paul Daniel, nor indeed the cleanly singable new translation by Amanda Holden, that at moments the first of the work's two acts comes close to a write-off.

In his 19th year Mozart was

already an international veteran of opera-composition, but he was back in Salzburg and opportunities to write operas were painfully scarce. He longed to do so, as letters attest; and when this one came his way - a *pièce d'occasion* on an already much-seen text by Metastasio, the Habsburg court poet - he seized it to produce music of a progressively deepening warmth that lift the experience far above pastoral politeness. At its heart is the aria "L'amore, saro costante", a reverie for the twined voices of the soprano-castrato hero and solo violin as rapidly tender as anything he ever wrote.

Depth and warmth the work may possess, in abundance, but it is still essentially an exercise in style - the high court style - which in any modern revival needs either careful re-creation or else stringent reassessment. Jeune coyness of the sort the Opera North director, David McVicar (also designer, in tandem with Frank Higgins), foists on the *serenata* structure is fatal.

During the overture, puppets prance larkily on the bottom edge of the front-cloth, blocking out any possibility of actual listening to the music; the whoops-a-daisy treatment of the shepherd and shepherdess hero and heroine, attended

by five cute child figurants, is in the same vein. In the second act, as weightier emotions shade the situations, the stage action becomes less fooling, but by then the damage is done.

At least, though, there is the ineffably delicate, fine-grained Joan Rodgers in the title role - on Thursday the pure line of her lower notes sounded a touch sullied (by a cold, I guess), but excellent technique left her mastery of Mozart style unscathed. Mary Hegarty as the shepherdess Elisa, though a less careful vocalist, beams out a ray of sunlight with her bright, sweet, unforced tones.

The two tenors, Martyn Hill and Philip Salmon, cover skillfully their passing moments of dryness; Patricia Bardon's rich mezzo is too weighty for Mozart's *seconda donna* soprano role. Daniel's conducting tends to bustle the early stages of the work along, with this precaution unfolding before his eyes, who can blame him? Thereafter the balance between Mozartian energy and Mozartian grace is more securely held.

Opera North at Grand Theatre, Leeds: in repertory until December 22; production sponsored by Yorkshire-Tyees Tees Television

Architecture/Colin Amery

Designs of a romantic hero

There is a famous still from a movie of Gary Cooper, standing in full profile before a soaring skyscraper, looking firmly into the future. *The Fountainhead* was made in 1949 from the novel by Ayn Rand, which sold five million copies. Its hero was an architect, Howard Roark, a young genius who pits his wits and skills against the conventions of the New York establishment. Gary Cooper played the part to the hilt. The film, like Ayn Rand's work novel *Atlas Shrugged*, extols rugged individualism, powerful egotism and all refusals to compromise. Her hero was probably based on the American architect, Frank Lloyd Wright, who certainly saw the architect's role as that of the powerful, single-minded genius.

Sir Norman Foster is an architect who shares with the hero of *The Fountainhead* that taciturn virility and confi-

dence. His quiet conviction that his designs are rational and logical is impressive. He is also convinced that architecture is a product of individual genius and that compromises are to be avoided. A visit to his London office reveals that, while undoubtedly a top architect, he is also aware that posterity may see him as a creative romantic - a man who tried to change the world.

In this year's Financial Times Architecture Award Sir Norman's office has two runners in the short list: the University Library at Cranfield, and Stansted Airport in Essex, which represent just a fraction of the work of this international practice. In the pipeline there are a quite remarkable number of major projects. The new Canary Wharf underground station will be the best reason for the expansion of the Jubilee line, and the Imperial War Museum exhibition

hanger at Duxford will be a dazzling example of appropriate technology. Then there are three new international headquarters for major companies: Agiplan, Olusina and Sanki, a new law library for the Cambridge Institute of Criminology as well as the new Napp Laboratories for the same city; the new Commerzbank in Frankfurt; in Berlin the new Reichstag; in Nimes the Carre D'art; in Frejus the new Lycée; in Rotterdam the Marine Safety Simulator; in Neudorf the business promotion park; and in Corsica a timber framed house for a private client.

If the Governor of Hong Kong can keep things on an even keel, Sir Norman's design for the large new airport at Chek Lap Kok will be one of the finest new airports in the world. In Valencia the design for the new conference centre is well underway, and in the City of London the new offices

at Tower Place for Bowings is currently in for planning consideration. Sir Norman has been unafraid to add to a listed building - a house in Chelsea designed in the 1930s by Mendelsohn and Chermayeff enhancing the original. In Omaha, Nebraska his firm is adding a wing to the Joslyn Art Museum; and the results are still awaited for the competition for a new Gallery of Scottish art in Glasgow.

The hero of *The Fountainhead* would have been amazed that one architect could change so much of the world. Foster's office gives some clues. Visitors enter and walk up a grand, gentle granite staircase and the office itself is a young architect's dream. Beneath a high glass wall with amazing views of the Thames are ranks of architects and technicians. Howard Roark would have enjoyed this elevated position: you feel as

though the team below could well be drawing up designs for some great spaceship to take us all to the moon or beyond.

For the best of Foster's work in the UK, go to Stansted Airport and then to the Sainsbury Centre at the University of East Anglia in Norwich. The extension to the Sainsbury Wing is a cool triumph. To witness Foster more intimately, the Royal Academy's Sackler Galleries show how well he can fit an older context.

It will be fascinating to see how Foster does in the FT Award on November 29. Meanwhile, he should be appointed designer of the new Tate Gallery Museum of Modern Art, convert the Bankside Power Station into a home for very contemporary art (like the Los Angeles Museum of Contemporary Art, in warehouses converted by Frank Gehry), and build a gallery for modern art on the Vauxhall site.

INTERNATIONAL ARTS GUIDE

BERLIN

MUSIC/DANCE
Deutsche Oper Tonight: Gershwin and the Golden Years of Broadway. Tomorrow: Gluck's *Orfeo*. West: Béjart's ballet *Ring Round the Ring*. Thurs: It's *travolta*. Fri: *Italians* in *Algeri* with Jennifer Lamora. Sat: Tosca with Galina Kalina and Richard Margison. Sun: Tannhäuser with René Kollo, Sabine Hass and Karan Armstrong (341 0249). Staatsoper unter den Linden Sat: Daniel Barenboim conducts gala concert devoted to works by Wagner, with soloists Plácido Domingo, John Tomlinson and Deborah Polaski. Sun: Barenboim conducts Nicholas Brierley's production of Busoni's *Die Brautwahl* (200 4782/2035 4494).

CONCERTS
Philharmonie Tomorrow: Berlin Philharmonic Piano Quartet plays works by Suk, Schnittke and Strauss. Sat and Sun: Claudio Abbado conducts Berlin Philharmonic Orchestra and Slovak Philharmonic Chorus in concert

performances of Boris Godunov, with a cast led by Age Haugland, Anatoly Kocherga, Olga Borodina and Vladimir Chernov (2548 8152). Schauspielhaus Fri, Sat, Sun: Bruno Leonardo Gelber is piano soloist in a Berlin Symphony Orchestra concert featuring works by Beethoven, Debussy, Messiaen and Schubert (2090 2156).

THEATRE
A new production of Tennessee Williams' rarely staged 1957 play *Suddenly Last Summer* opens at the Deutsches Theater Kammerspiele on Sun, directed by Petra Sagrop (2844 1226). Pirandello's *The Mountain Giants* has just opened at Maxim Gorki Theater, directed by Rolf Winkelgrund (208 2783).

NEW YORK

DANCE/MUSIC
State Theater New York City Ballet opens its new season tomorrow with a gala on the theme of Broadway and Hollywood. Wednesday's performance is an all-Balanchine programme. No performance this Thursday (Thanksgiving). The season runs daily except Mon till Feb 27, with matinee and evening performances every Sat and Sun. From Dec 1 to Jan 2 the repertory is devoted to Balanchine's version of *The Nutcracker* (877 5570). Joyce Theater Garth Fagan Dance is in residence till Sun. Next week: Toronto Dance Theatre (242 0800). Metropolitan Opera This week's repertory consists of *Rusalka*, *La bohème* and *Madama Butterfly*.

No performance on Thursday. A new production of Verdi's *Lombardi* opens on Dec 2 with a cast led by Luciano Pavarotti (382 6000). Avery Fisher Hall Tomorrow: Charles Dutoit conducts New York Philharmonic Orchestra in works by Richard Strauss, Martinu and Ravel. Wed, Fri afternoon, Sat, next Tue: Franz Weiler-Möst conducts works by Richard Strauss and Franz Schmidt, with horn soloist Philip Myers. Sun afternoon: Alicia de Larrocha piano recital (875 5030). Alice Tully Hall Sun afternoon: Thomas Hampson song recital (875 5050).

THEATRE
● *Angels in America*: Tony Kushner's epic two-part drama - about religion, sex, AIDS and corrupt politics - conjures a vision of America at the edge of disaster. Part one, *Millennium Approaches*, has now been joined by its sequel, *Perestroika* (Walter Kerr, 219 West 48th St, 239 6200). ● *The Red Shoes*: a new musical based on the 1948 film. Music by Julie Styne, book by Marsha Norman, lyrics by Norman and Paul Stryker, choreography by Lar Lubovitch. In previews (Gershwin, 51st St, west of Broadway, 307 4100). ● *She Loves Me*: the 1963 Bock, Harnick and Mandelstam musical directed by Scott Ellis - a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's gift-laden mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100). ● *Kiss of the Spider Woman*: a

Kander and Ebb musical with a star performance by Chita Rivera in the title role. Directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200).

● *Blood Brothers*: Willy Russell's musical, imported from Britain, Philharmonie Orchestra in works by Richard Strauss, Martinu and Ravel. Wed, Fri afternoon, Sat, next Tue: Franz Weiler-Möst conducts works by Richard Strauss and Franz Schmidt, with horn soloist Philip Myers. Sun afternoon: Alicia de Larrocha piano recital (875 5030). Alice Tully Hall Sun afternoon: Thomas Hampson song recital (875 5050).

THEATRE
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Blue Note Herbie Hancock opens an engagement tomorrow (131 West 3rd St, near 56th Ave, 475 8592). Algonquin Hotel Westside Whitefield, one of the most assured and affecting jazz-cabaret voices to arrive in New York in years, is in residence in the Oak Room (59 West

44th St, 840 6800). Michael's Pub A tribute to the music of Eddie Lang, a blues, jazz and swing band. Rehearsal and Rehearsal Crosby is the current attraction, with Woody Allen's Dixieland jazz band providing the entertainment on Mondays (211 East 55th St, 753 2272). Rainbow & Stars Starting tomorrow: a tribute to Leonard Bernstein, commemorating what would have been his 75th birthday, with songs from West Side Story. On the Town and other 1950s Rockefeller Plaza, 632 5000).

PARIS

OPERA/DANCE
Théâtre Champs-Élysées A new production of Lully's *Roland* (1685) opens on Fri. René Jacobs conducts a staging by Gilbert Dolfo, designed by Jos van Dam. Repeated Nov 28, 30, Dec 2, 4, 7, 8 (4952 5050). Opéra Bastille Bob Wilson's new production of *Madama Butterfly*, conducted by Myung-Whun Chung, can be seen tonight, Wed, Thurs and Sat, with further performances till Dec 10. Diana Soviero and Valentina Sedipova alternate in the title role. Tomorrow: Julie Kaufmann and François Le Roux, accompanied by Irwin Gage, sing *Wolfa Italian Songbook* (4473 1300). Palais Garnier Ballet de l'Opéra de Paris revives its 1992 production of *Picasso et la Danse* on Fri. The programme features choreographies by Nijinska (1924), Roland Petit (1945) and Massine (1919). Daily except Sun and Mon till Dec 8 (4742 5371). Théâtre de la Ville Catherine

Diverses in residence this week with latest dance work (4274 2277).

CONCERTS
Salle Pleyel Tonight: Alfred Brendel plays Beethoven piano sonatas. Fri: Marek Janowski conducts Orchestre Philharmonique de Radio France in works by Wagner and Richard Strauss (4561 0630). Châtelet Fri: Simon Rattle conducts Ensemble InterContemporain in works by Simon Holt, Messiaen and Shostakovich, with soloists Elise Ross, Willard White and Florent Boffard. Next Mon: Nikolaus Harnoncourt, Gidon Kremer and the Chamber Orchestra of Europe (4028 2840). Théâtre de la Ville Fri and Sat: Yuri Bashmet and the Moscow Soloists present two programmes, including works by Schnittke, Brahms and Bach (4274 2277).

JAZZ/CABARET
Five Blind Boys of Alabama are in residence this week at L'Oratoire. Tomorrow: Nov 29-Dec 11: Linda Hopkins, veteran New Orleans jazz singer (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042).

THEATRE
Peter Sellers' English-language version of Aeschylus' *The Persians* is in its final week at Bobigny (4831 1145). Jorge Lavelli's Avignon Festival production of Edward Bond's *Maison d'Arrêt* daily except Mon till Dec 12 at Théâtre National de la Colline (4366 4360). Böchner's *Woyzeck*, directed by Jean-Pierre Vincent, daily except Mon till Dec 30 at Le Rond-Point Théâtre Renaud-Barraut (4495 9800).

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.
European Cable and Satellite Business TV
(All times are Central European Time)
MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0630
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1500
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Samuel Brittan

An enigma behind the UK recovery

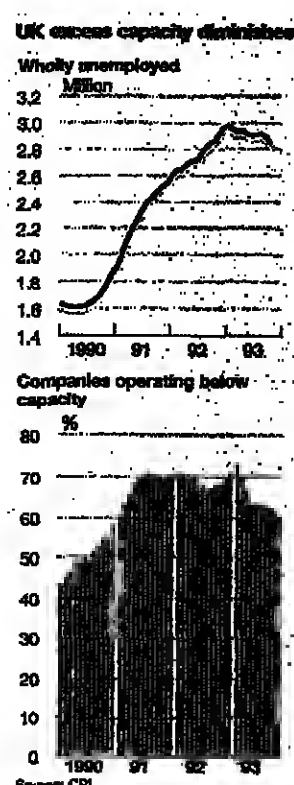


The old proverb says that every grey cloud has a silver lining. The British, however, are good at seeing the grey lining around every silver cloud. There is thus a resistance to seeing how good the recent economic news has been in a recession-beset world. For instance, the surprise October fall in the retail prices index took the index so far below what was expected that it has given a downward push to the inflation trend.

Students of the inflation process must get used to three inflation measures. There is the "headline" RPI rate, heavily distorted by the timing of mortgage rate changes and which now stands at the unrealistically low rate of 1.4 per cent, year on year. Then there is the official measure of the underlying RPI rate, which excludes mortgage interest and stands at 2.8 per cent.

Finally there is the core rate which attempts to remove other temporary disturbances, such as those caused by indirect tax changes. How to measure the core is controversial. But an estimate by Michael Saunders of Salomon Brothers puts it at 2.8 per cent too. Taking into account the increases in value added tax in the pipeline and assuming a further small increase in excise duties, Saunders expects the underlying rate to rise briefly next summer to a couple of decimal points above the official 4 per cent target ceiling, but he expects the core rate not to rise much above 3 per cent.

This downward pressure on prices reflects a more competitive atmosphere than that normally brought about by a slack economy. The RPI indices are supported by pay settlements, which are the lowest since the Confederation of British Industry databank started in 1977. Earnings increases due to third-quarter pay awards in manufacturing are estimated at 2.3 per cent. In services they are 2.8 per cent, a fall from the previous quarter. The CBI esti-



UK excess capacity distribution

Wholly unemployed

Companies operating below capacity

Source: CBI

In particular, he should ask about the present upturn; is it vigorous enough to reduce the gap between actual and potential output? Or is it so feeble that the gap is getting larger and depression intensifying?

Official output figures still suggest the latter. Non-oil gross domestic product rose by well under 2 per cent in the year to the third quarter of 1993. This is below the most conservative estimate of the growth of capacity and fits in with the popular impression of a modest and patchy recovery.

How can this be reconciled with falling unemployment and rapidly rising productivity? The most optimistic explanation is that the upturn is stronger than realised. The pessimistic explanation is that productivity gains are being overstated because of inadequate allowance, for instance, for the increasing numbers of part-time workers.

It will be some time before there is enough data for a full explanation. The fact that unused capacity, as measured by the CBI survey, is declining along with unemployment, makes it look as if there is a genuine reduction in the margin of slack.

The best guess is that the productivity of workers using existing capacity is indeed increasing rapidly, but at the same time there is inadequate capacity to support a true recovery. In other words, capacity shortages will recur while there are still large resources of unused labour.

Some industrialists will want, in conjunction with the Labour party to fix the capacity problem by government hand-outs for investment, a "business plan for Britain" and so on. A more reflective person would look at the inhibitions discouraging businessmen from extending capacity, as distinct from just making it more cost saving.

The remedy probably lies in still more flexible labour markets, plus more topping up of social security payments to workers of low earning capacity. Low pay and some dole are better than no pay and no work.

"No man whose mind is alive and active... can keep his political and spiritual opinions, much less his philosophical consciousness, at a standstill for a quarter of a century..."

— George Bernard Shaw in The Perfect Wagnerite (1898)

George Bernard Shaw is always there when you need him. Recently I have been wondering how to respond to remarks that my opinions have changed since I moved to Washington. How, I am asked, can someone who rarely hesitated to find fault with Thatcherism now write so sympathetically about market forces? Is it the climate? Or perhaps the food? Am I being blackmailed by some arch-conservative think-tank?

Shaw provides the perfect answer. My views have not changed. I have simply managed to avoid an intellectual "standstill". I may not have written for the Financial Times for a quarter of a century. But it will soon be a decade. And much has changed in those years.

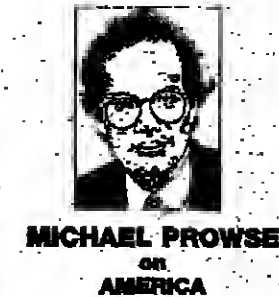
As people age, a coarsening of their thought is sometimes evident. Youthful idealism gives way to knee-jerk punditry, sometimes of a reactionary nature. Sympathy for the disadvantaged can evaporate. As the old adage goes: "If you don't have a heart, if you are not a conservative at 40, you don't have a head."

I am not conscious of any loss of idealism. But my views on the kind of policies that are likely to be effective in the long run have evolved. Compared with a decade ago I am more sceptical of government solutions and more willing to rely on market forces.

I realise this runs directly counter to spirit of the times. President Clinton is in power, not President Reagan. In the early 1980s, there were high hopes for monetarism and markets. The pendulum has since swung back in favour of interventionist policies. Keynes' critique of classical economics is again taken seriously — especially in Britain.

Various forces — some external, some internal — have contributed to my change of heart. The most significant political event of this past half-century is the demise of communism and central planning. This has occurred not just in the former Soviet Union and eastern Europe but in Asia, where China is moving toward a market system, and in most of the rest of the developing world. Billions have opted to replace

How Uncle Sam won over a sceptic



MICHAEL PROWSE ON AMERICA

bureaucrats by markets.

The relevance of the global collapse of communism for the advanced industrial economies can be endlessly debated. Since the west rejected full-blown central planning and stuck with parliamentary democracy, many people conclude we have nothing to learn from events in Russia, Poland or China.

This strikes me as less than intellectually honest. In the days before the fall of the Berlin Wall many western economists greatly exaggerated the success of economic planning and suggested that with a different political regime, it could provide a viable alternative to capitalism. We now know better.

Communism was a logical extension of 19th-century socialist ideas. People like Shaw believed in state ownership of the means of production. In the elimination of the profit motive and in a near complete equalisation of incomes. The failure of socialism as a national economic system ought to make us more sceptical of applying similar principles on a smaller scale within industrial democracies.

On a personal note, leaving Britain in 1990 before the economic crisis had left me with a less pessimistic frame of mind than many UK commentators. Nothing fuels hostility to market forces more effectively than a depression. When unemployment is high, the well-intentioned naturally recoil against the apparent waste and cruelty of the market system. Had I lived through the latest UK recession, which was much deeper than the US downturn, I would be more receptive to anti-market rhetoric.

But living in the US has illuminated some of the virtues of



the market. For all its chronic social problems, America's smoothly-running market economy offers a sturdier ladder of opportunity than Britain's. There is plenty of old money around. But the link between wealth and social class is far less pronounced: if somebody is wealthy, the presumption is that they worked for it. There is a greater sense of optimism, a deeper confidence that free enterprise, for all its imperfections, will reward ability and hard work.

Britain might have developed US attitudes if Gladstonian liberals had been able to resist the intellectual advance of socialism. If the Liberal party had seen off the challenge from Labour — and retained its commitment to free trade and free markets, political power might have been shared between two parties broadly committed to free enterprise. The Liberals could have played the role of Ameri-

can Democrats — a role which the Labour party could yet play with distinction.

Looking back, I can see that gut hostility to market forces came naturally to someone of my generation. I was, after all, raised in a welfare state. I enjoyed "free" state education (at university as well as school) and "free" state healthcare. I took for granted the government's right not only to steer the economy but to regulate the whole of society. I had no interest in industry or commerce. Entrepreneurship? The profit motive? These were concepts dismissed with disdain by the intellectuals I admired.

I had what I would now describe as a "hang-up" about social justice. Since our needs are similar, shouldn't we have roughly equal incomes? Why? A society must provide an ample safety net for the poor, but surely the left's obsessive desire to redistribute incomes reflects a crass materialism or,

worse still, sheer envy of the good fortune of others. Nobody is qualified (not even a parliamentary majority) to judge what income their neighbour deserves. The beauty of a market system is that judgments of worth are not required: in the absence of artificial barriers to competition, what we get will usually be determined by the usefulness of our services to others.

Unfortunately, market forces remain deeply unpopular. The terminology is certainly unhelpful. "Market" sounds hideously impersonal, while "forces" conjure up images of authoritarian repression. Why should any society subject itself to so unnatural a discipline?

To appreciate the market you have to consider its nature more carefully. It is not some thing external forced on us. It is us: it is simply the sum total of free exchanges between individuals. It is the only genuine form of social co-operation because no exchange occurs unless each party expects to benefit.

Of course, our "voting power" on the market is not equal because our incomes differ. But the combined voting power of ordinary people vastly exceeds that of rich elites, which is why snobs so dislike commercial television. And in the market we get to vote several times a day, not once every four or five years. And we are voting on specific issues rather than consigning virtually limitless powers to a bunch of politicians.

Millions of people cannot physically co-ordinate their decisions except through the market. The only alternative to the market is thus the transfer of power to bureaucratic elites, nominally supervised by their parliamentary masters.

Do such opinions make me a conservative? I would say, emphatically, no. Somebody who advocates greater competition and more reliance on market forces is no friend of vested interests or the status quo.

Today's true conservatives are the people who have learned nothing from the 20th century, the people whose attitudes and actions distantly echo the arguments of 19th-century Fabian socialists such as Shaw. Indeed, given his optimistic temperament and commitment to human progress, I am confident that had Shaw been born in 1956, rather than 1856, he would not be a Shavian. He would be waving the market banner.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

IMF rules for loans to Russia a 'cop-out'

From Mr Jeffrey D Sachs.

Sir, Mr John Odling-Smee's defence of the International Monetary Fund rule in Russia (Letters, November 17) includes three dubious propositions that, taken together, help to account for the IMF's very limited achievements in the former Soviet Union.

First, Mr Odling-Smee claims that the IMF staff are in "close contact" with Russia at this crucial juncture. In fact, aside from a couple of resident representatives, there is no IMF team currently in Russia. The IMF work, such as it is, is conducted by telephone from Washington, and by brief fly-ins. When the IMF is actually ready to negotiate, it will insist on a prior fact-finding mission that will absorb several weeks before the start of actual negotiations. The Russians are thereby left without in-depth IMF technical assistance in planning 1994 policies. Worse, under the IMF's standard operating procedures, Russia will

not see another IMF loan disbursement for several months.

Second, Mr Odling-Smee takes it for granted that Russia's failure to stabilise is proof that the IMF is right to withhold its lending. The IMF simply cannot understand that by withholding its own loans at crucial points, such as early 1992 and now, it gravely weakens the chances for successful stabilisation. When a drowning man is 10 metres from shore, the IMF throws a 5 metre life-line, content that it has met the drowning man half way.

Third, Mr Odling-Smee asserts that it will lend money when "the Russian authorities as a whole are in a position to commit themselves to and implement, on a sustained basis, a strong adjustment programme". This IMF standard is a cop-out, and more often than not a bureaucratic excuse for inaction. In a deep crisis, reformers can never prove to the IMF that they are in a position to sustain a strong programme,

they win their reforms step by step, with successes leading to further successes. This was true for Schacht in 1923, Ehard in 1948, Salinas in 1989, Balcerowicz in 1990, and Cavallo in 1991. The IMF must lend when the chances are good, not perfect, recognising that its own loans can help to tilt the balance.

Mr Odling-Smee neglects the very reasons that make IMF negotiations in Moscow so crucial at this juncture. Since the breakthrough to new elections, the reformers have had a strong hand. They have eliminated all subsidised credits; they have ended budget subsidies on agricultural procurement; they have ended artificial write-offs of inter-enterprise arrears; they have taken over control of credit policy from the wayward central bank; they have instituted a bold land privatisation programme; and they have adopted a tough monetary programme, that if combined with

IMF funds, would limit money growth to rates consistent with single-digit monthly inflation. The new Russian fiscal year starts in six weeks, and Russia must therefore plan its 1994 programme now, not on the IMF's timetable. With pre-election polls showing the reformers with a good chance to control the next parliament, the chances for stabilisation would be good if there is adequate western assistance.

Given that several weeks will be needed to conclude a loan agreement, preparations should already be under way in Moscow. IMF funds could be disbursed early in 1994 in the event the reformers triumph in the elections and are able to launch a stabilisation programme at the start of the new year. If conditions prove inauspicious, there will be opportunity enough to hold back. Jeffrey D Sachs, Harvard University, Department of Economics, Cambridge, Massachusetts, US

Way to run a railway

From Mr Noel Clarke.

Sir, Your article on European high speed rail ("Next chapter of the railway children", November 18) is a timely reminder of the social and environmental arguments for an efficient integrated European railway system. By implication it also highlights, sadly, the catalogue of failures — technical, political and commercial — to come to grips with this issue in the UK.

A view I have held for some time — and, judging from a limited poll, a not too outrageous one either — would be to hand over British Rail to SNCF, the French state rail system. In return for the French government handing over Air France to British Airways. Both governments would get rid of an unprofitable investment, would be able to claim a positive step towards European integration, and, best of all, put these businesses into the hands of those apparently better able to manage them.

Noel Clarke, managing director, Capital Markets Partners, 30 Parliament Hill, London NW3 3TU

A contrast in environmental values

From Mr Ryotaro Kaneko.

Sir, I read with interest David Lascelles' comparison of the way Oxford and Freiburg manage their environmental and traffic problems (Business and the Environment, November 17). If I try and read between the lines, I see a number of contrasting approaches to the way we value the environment.

1. Is Oxford's privatisation strategy a better one? I feel

that a market-oriented valuation of the environment is more sustainable because Freiburg's subsidisation only adds to unwanted budget deficits. 2. Is Freiburg's high level of community control sustainable? Heavy subsidisation adds to higher costs, and if it continues, there may be a lasting risk of Germany having a relatively high inflation rate.

3. Is Oxford's environmental pricing likely to gain wider

acceptance? The majority, I suspect, still need Freiburg's inflationary market. But the global market and European currency competition must be systematically deterring this inflationary market.

Ryotaro Kaneko, JF Morgan Trust Bank, 7F, New Kojima Building, 3-1 Marunouchi, Chiyoda-ku, Tokyo 100, Japan

Commercial agents will retain advantages

From Mr Clive Davies.

Sir, I was most interested in the article "Agents lose jobs ahead of EU laws" (November 15) summarising some of the difficulties for principals in dealing with commercial agents after the new regulations come into force in the UK on January 1 1994.

Like many law firms, we have been working on providing advice on the impact of the regulations. In particular, I agree that companies should re-examine the implications of using commercial agents and consider the alternative of appointing distributors.

However I think it is impor-

tant in making this assessment to recognise that there are fundamental differences between commercial agents and distributors which will have an impact upon this choice.

In particular, it is of course possible to set the price at which commercial agents will sell goods on behalf of a principal. Distributors, on the other hand, must be free to sell at whatever price they think appropriate. It would be illegal under resale price maintenance laws to provide otherwise.

Other factors which need to be taken into account are the impact of general competition

law, which in the UK treats agents and distributors very differently, and the creditworthiness of a distributor responsible for buying and paying for goods in its own right.

The new agency rules will certainly make life more difficult for principals, and in some ways remind one of the laws regulating employees. However agents do have advantages and there are a number of factors which need to be weighed in the balance before moving to distribution arrangements.

Clive Davies, D J Freeston, 40 Peter Lane, London EC4V 1NA

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FINANCIAL TIMES

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Monday November 22 1993

Decision time for Thorp

Within weeks, or even perhaps days, the government is likely to tell British Nuclear Fuels whether it can press the start button at Thorp, its nuclear reprocessing plant at Sellafield. The decision, one of the most controversial facing the government, seems almost certain to be yes: ministers have already said they are "minded" to grant a licence. Once Thorp starts to re-process fuel, there will be no turning back. The plant will be radioactive, and subject to hefty decommissioning costs.

The alternative to approval is a further public inquiry, which could last more than a year. But BNF claims this would be tantamount to abandoning Thorp, as foreign customers would walk away to French rivals. Continuing uncertainty over Thorp would also complicate and perhaps even endanger the government's planned review of nuclear power.

So far as the government is concerned, the only outstanding issue is Thorp's financial viability. A public consultation early this year concluded that its radioactive emissions would not pose a significant threat to health or the environment. But in going through a further round of consultations, the government has acknowledged the concern that pressing ahead with Thorp could land the UK taxpayer with a large bill then stopping the project now.

Dry storage
Since the government approved Thorp's construction in 1977, the arguments for reprocessing used nuclear fuel rods have diminished. The alternative of "dry storage" - containing the waste without further treatment - may now be cheaper. Scottish Nuclear, one of Thorp's UK customers, wants to switch to dry storage for part of its waste, arguing that it could save millions of pounds a year.

Thorp's critics have questioned whether BNF's overseas customers, notably the Japanese and German utilities, might make the same choice.

BNF says not. At the start of the second consultation, it published projections claiming that the UK would lose at least £300m by abandoning Thorp and switching to dry storage. Foreign customers were not only keen for Thorp to start, but were locked in with tight penalty clauses, it argued.

Russia and its neighbours
When President Boris Yeltsin suggested, earlier this year, that the UN should grant Russia "special powers" to guarantee peace and stability in the former Soviet Union, he got a frosty reception outside his own country. Since then, public debate in the west has focused on Russia's internal affairs. Is Mr Yeltsin a democrat? What are the chances of real economic reform? These have been the central preoccupations of both analysts and decision-makers.

No doubt that is correct. In the long run a democratic, market-oriented Russia would be a far more congenial and constructive member of the much-touted "international community" than one that relapsed into dictatorship and state control. But that does not mean foreign policy is perfect as long as Mr Yeltsin remains in power, still less that western governments should ignore it. Indeed, they are now being invited to take an interest in it by the Russian foreign minister, Mr Andrei Kozyrev, who has revived Mr Yeltsin's proposal in more diplomatic language.

Instability
Mr Kozyrev points out that many of Russia's southern neighbours are wracked by internal conflicts and two (Armenia and Azerbaijan) are at war with each other. Russia, he says, cannot ignore such widespread instability on its borders, or its effect on the 25m ethnic Russians who now live as minorities in non-Russian states. Russia is blamed for not paying its share of the cost of peacekeeping operations elsewhere in the world, while other powers, already stretched and baffled by Bosnia and Somalia, are clearly reluctant to do much about similar problems in the former Soviet Union. There Russia, joined sometimes by other members of the Commonwealth of Independent States, is willing to do the job, but looks to the UN for political and financial support. And, Mr Kozyrev concludes in a seductive *sotto voce*, his own ministry would specially welcome UN involvement, as a way of strengthening civilian control over the Russian forces deployed.

The worst way for western governments to react to these overtures would be to ignore them.

BNF's case is plausible. However, it assumes that customers abide by the letter of their contracts with BNF throughout the plant's life. The real risk, Thorp's critics say, is that some foreign customer might pull out and contest their obligation to pay compensation, leaving the plant running below capacity.

Shortcoming

The consultation's most serious shortcoming is that the government has not commissioned any independent audit of BNF's projections. Nor has it produced its own estimates of the costs of dry storage, or a clear assessment of the implications of the Thorp decision for UK electricity bills.

Those sums might well come out in Thorp's favour - but if they have been done, they have not been made public. It is known that the Treasury has examined the figures, but given its record in projecting nuclear costs - it has consistently underestimated the costs of building and decommissioning nuclear reactors - that is insufficiently comforting.

Before any announcement on Thorp, it is essential that government reflects carefully upon these points. Ministers will be right to weigh carefully the difficulties of abandoning a plant on which £2.8bn has already been spent, there is a serious sub-plots. Prince Charles had come to bid for Britain. Increasingly, his trips abroad are being carefully constructed to maximise commercial spin-off for British companies. According to one of the prince's team: "Their function has changed; he is not wheeled out as a zoo exhibit."

The prince himself is not worried that his unique position is being used to help trade, hoping instead that it "filters down to benefit our own companies". Indeed, he believes he is under-exploited and is desperately keen for Whitehall to do something about it. He was bemused because there had been a row over the availability of the VC10 for the Middle East trip. A minor, inter-departmental skirmish, maybe, but he believes it demonstrated the low priority given by Whitehall to such visits.

The prince has already made one behind-the-scenes attempt to enlist the help of government in devising a co-ordinated strategy for using him and his foreign excursions to best effect in selling Britain. An invitation eight years ago from Kensington Palace to representatives of ministries and trade bodies to consider the issue came to nothing. It floundered, he believes, in an atmosphere of national short-termism which he thinks still persists, and on the inability of government to orchestrate initiatives across departments.

"Things can be properly co-ordinated in Wales and Scotland because each has only one secretary of state. Why can't it be done for the nation as a whole?" he inquires. Now that ministers, particularly in the Department of Trade and Industry, have given exports a high political priority, the prince's office wants to try again to build more effective links with government departments to maximise the value of royal missions. One aide says: "Parts of Whitehall still see royal visits in an anachronistic way. A certain amount of re-education is required and is under way."

It is impossible to evaluate the commercial contribution of a 45-year-old trainee head of state who That would convince Russians that the west was washing its hands of the region, and effectively giving them *carte blanche* to solve its problems on their own as best they can. On the contrary, the west should welcome the chance to monitor, and indeed to influence, Russian behaviour in the region. Official observers, whether from the UN or from the Conference on Security and Co-operation in Europe (CSCE), could be a useful instrument for this.

Acceptable role
But if such organisations are to be involved, their members must make it very clear what they regard as an acceptable role for Russia, and what they do not. Where Russia is able and willing to play a genuinely impartial peacekeeping role there may be a case for setting off the cost against its UN arrears, which it is anyway unlikely to pay. But it would be grotesquely misleading to describe units such as the 14th army in Moldova or the 501st rifle division in Tajikistan as "peace-keeping forces". The former is the main armed force of the break-away Transnistrian region, while the latter is propping up a regime run by veteran communists and guarding the frontier against its opponents, who have fled into Afghanistan and are being readied into anti-Russian Islamic militants.

Russia must be expected to assert its interests in a region of obvious strategic importance to it. But it should not be encouraged to do so by deploying military force in the guise of an "impartial" peacekeeper. Nor should it be recognised as protector of all ethnic Russians, still less of all Russian-speakers, outside its borders.

The ethnic composition of virtually all the ex-Soviet republics, and most conspicuously of Russia itself, requires all governments in the region to be very sensitive in their treatment of minorities. Where external help is required with this it should be provided on a multilateral basis, notably through the CSCE's High Commissioner on National Minorities, Mr Max van der Stoep, rather than by ethnic "kin-states" whose intervention is more likely to exacerbate such tensions than to allay them.

Her Majesty's ambassador to Saudi Arabia, Mr David Gore-Booth, paced the marbled floor of Jeddah's Hamra palace in shock. "That was incredible, astonishing, unprecedented."

It was well after 2am and King Fahd, Custodian of the two Holy Mosques and head of the House of Saud, had just left in one of his favourite, old Mercedes limousines after lengthy talks with Prince Charles, heir to the British throne.

The king had already turned convention and protocol on its head with his last-minute decision to meet the prince on his arrival from Riyadh. The conversation, lubricated with glasses of carrot and kiwi fruit juice, began with the inevitable pleasantries about families and ambassadors but quickly moved up a gear.

Shortly before his recent, week-long trip to the Middle East, Prince Charles had publicly attacked the regime of Saddam Hussein and called for closer understanding between the world of Islam and the west. He was highly tickled by reports that his words had triggered a fall in the Iraqi dinar.

King Fahd, the first of his many Middle East hosts, was appreciative of the speech, expressing unqualified admiration and respect for his visitor. Mr Gore-Booth is not a man to wear his emotions on his sleeve. But the ambassador, casting diplomatic restraint into the hot, night air, was gob-smacked.

King Fahd's message of gratitude was to be repeated *ad infinitum* as the prince - no longer part of the world's most famous royal double-act - progressed across a region where royalty still counts. Here, royal families not only dispense patronage but award commercial contracts carrying billion-dollar tags; here a British prince can pack the sort of punch which often eludes him at home.

His arrival in Saudi Arabia set the tone for a hectic tour of duty run at a ridiculous pace. But despite the flag-waving and flummery which enveloped the royal visit, there was a serious sub-plot. Prince Charles had come to bid for Britain. Increasingly, his trips abroad are being carefully constructed to maximise commercial spin-off for British companies. According to one of the prince's team: "Their function has changed; he is not wheeled out as a zoo exhibit."

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It is impossible to evaluate the commercial contribution of a 45-year-old trainee head of state who

The heir to the British throne believes he could be used more effectively in promoting UK plc, writes Michael Cassell

A prince captured



cannot return home with signed contracts in a crested briefcase. But merely by virtue of who he is, he can forge personal relationships which can lead to commercial alliances. As another member of his inner-circle puts it: "He can cut ribbons and unveil any number of plaques. But much more importantly, he can open doors."

The prince is the first to acknowledge the difficulty in assessing his value in this respect. On his visits abroad, he says he wants to develop his role as "a cultural and commercial emissary", acting on behalf of a country for which he cares deeply but which he believes often under-sells itself. He regularly alludes to the way some of Britain's European competitors beat their own drums more effectively than UK plc.

His influence is now felt overseas through organisations such as the business leaders' forum, the newest of his business-led charities which is aimed at getting British companies to help the development of emerging economies. In spite of the endless suggestions that the heir to the throne is emerging from his own *annus horribilis* to search a newly-defined role, he insists it has never changed. Whether his value is perceived to be as great elsewhere, given his recent personal traumas, remains open to question.

"The idea I am searching to redefine my job is not. It is just that, since the day I got married, people have chosen to ignore the things I continue to do day in and day out." The Prince of Wales has been starring in what he concedes has been a "soap opera" from which, so far, it has been impossible to escape. His eyebrows rise in exasperation at the alternative, tabloid agenda which usually chokes to neglect his best endeavours in favour of what he sees as irrelevant, sometimes malicious trivia.

None of this may cut much ice with those who believe the royal family is an expensive irrelevance whose time has past. The critics' convictions will only have been reinforced by the distractions of the past few years.

In Kuwait, the prince's meo were again forced on to the defensive, trying to keep newspaper reporters away from excited, expatriate schoolchildren in case journalists fed them loaded questions to embarrass their special visitor. Later, there was despair at newspaper stories claiming the prince had made a "garble" by talking to a French Mirage pilot at the Dubai air show.

It is impossible to evaluate the commercial contribution of a 45-year-old trainee head of state who



Paintings by Toby Ward, Prince Charles's travelling artist: the prince with Saudi Arabia's Crown Prince Abdullah (top); and arriving in Jubail

Princes, Prince Charles now hopes, perhaps in vain, that he can begin to refocus public attention on his serious role and on a broad range of issues - such as inner cities and architecture. The growing personal support team which operates from roomy offices overlooking Ambassador's Court at St James' share his objectives. "Those closest to him say he is a 'driven man', determined to fulfil a role which has never been written down and which he has largely created for himself. His determined sense of purpose sometimes provokes an ill-tempered outburst against those who might see

'He can cut ribbons and unveil any number of plaques. But much more importantly, he can open doors'

things differently. In spite of the pressures, he is healthy, despite a nagging, polo-induced back injury which has left him with an uneasy gait. He needs little sleep, though the contemplative calm of a church service in Kuwait brought on obstinately heavy eyelids which threatened to hand the tabloids another headline. Before returning to London, the sole a few private hours in the sunshine at King Hussein's seaside palace in Aqaba, most of them spent ploughing through the pile of

official papers at his side. Such commitment, he pleads, would not be shared by the sort of international playboy he could have been.

There was no time for play as the prince criss-crossed Saudi Arabia and the United Arab Emirates, taking coffee and sweetmeats with kings, crown princes and prime ministers. Whatever the cynics might say, the British companies he called on last week were in no doubt that the visit was worth the prince's weight in riyals.

Mr Peter Marshall, managing director of John Brown Engineering, was among the royal visitor's hosts when he called in on the £120m Ibn Zahra plastics plant project at Jubail, in Saudi Arabia's eastern province.

Did it help? "Are you kidding? You can't put a value on his visit. It brought together some very influential people and helped reinforce the idea of British commitment to the region." Mr Marshall will shortly return to Jubail, where he is told the visit has helped to create the right climate to carry forward negotiations on another £110m project.

On the other side of the kingdom, in Jeddah, Mr Patrick Arnold, chairman of the local British business-meo's group gave the same message: "Competition here is tough. But there is a lot of pro-British sentiment and this visit is a tremendous confidence booster for UK companies."

British ambassadors, who once might have measured the success of such a royal visit by the size of their cocktail parties, believe the

prince's commercial value is exceptional. Mr William Fullerton, the Foreign Office's man in Kuwait, says there have been three recent trade missions from the UK and that the prince's visit will mean continuing goodwill towards visiting groups. The prince's Arab hosts think likewise. Dr Jasim Mohammed Alansani, commercial director for the development of the industrial city of Jubail, says: "The prince's visit will directly help British companies in their fight for work."

Despite such endorsements, the team at St James' believes that much more can be done. The prince's latest visit, for example, proved immensely more effective because of his earlier speech.

He cannot always have on hand a weighty address relevant to the interests of his hosts, but the idea of more thoroughly preparing the ground, perhaps through linked ministerial visits, is one to be more fully explored. Another way of heightening the impact of his trips could be to orchestrate immediate follow-up business missions able to exploit the warm glow left in the wake of royalty.

There is in place a system to help devise and plan missions for members of the royal family, overseen by the royal visits committee, chaired by Sir Robin Butler, cabinet secretary. The Foreign Office, which picks up the bills for overseas royal visits but which gives such expenditure low priority, plays a pivotal role in drawing up an annual programme and advising on who goes where.

The DTI, which has tiny resources, also plays a part. Its UK-based market intelligence operation provides pre-trip briefings and, for the prince's Gulf trip, helped organise a seminar in Saudi Arabia on energy and the environment.

But Gen Sir Peter de la Billiere, commander of British forces during the Gulf war, who accompanied the prince around the region, believes - like others in the royal circle - that a more all-encompassing, strategic approach designed to make the best of a very British asset is needed.

Sir Peter, a director of Flemings, the London-based merchant bank which has built a permanent presence in the region, is clear about the prince's special value: "There are some very heavy-hitters in the business world out here, particularly the Americans. Royalty can provide a very effective counterweight to that sort of approach."

There was no doubt that Prince Charles had a magnetic effect on his royal hosts during his visit. But that reaction is highly unlikely to be repeated so easily when he meets a more cynical public in republican-leaning Australia in January. The commercial benefits there may be a lot more elusive.

In Saudi Arabia and the Emirates, cavalades of limousines conveyed guests to the gangway of Her Majesty's yacht Britannia, where they were entertained to a modest dinner devised as a simple antidote to the excesses of the banquets on shore.

As the Royal Marines played selections from Smetana and Strauss, British businessmen chatted with royalty, politicians and their own counterparts from the world of commerce.

Britannia is five years younger than the prince and, with nearly 1m miles on the clock, its future is at the mercy of a Whitehall machine which doubts its value and needs to cut costs. Now, perhaps too late, the vessel is increasingly being made available for commercial use - last week it was at the centre of Indo-British week in Bombay. Back in Abu Dhabi, as dinner on board ended and guests prepared to watch the marines "beating the retreat", an astonished Arab guest learned of the yacht's uncertain future.

Sheikh Khalifa bin Zayed Al Nahyan, chairman of the Abu Dhabi Investment Authority, was incredulous. "You are mad. It is a unique advertisement for your country. How can its future be in doubt?"

If the Prince of Wales had overheard the question being asked of the 400ft yacht, he might have been forgiven for thinking it had been directed at the House of Windsor itself.

OBSERVER



"The demise of the Soviet Union, the fall of Thatcher, the end of apartheid - Nostradamus failed to predict any of them"

Sunday reports that he spent £22,000 on acquiring Ferrari's share of the fishing rights on a stretch of the river Test in Hampshire. The rights had been bought when Alan-Jones was running Ferranti and it could afford to entertain wealthy overseas clients in style.

He seems to have struck a good deal paying roughly half what Ferranti paid for the stake. However, his former employer denies any special favours and says that the decline in price was due

to a combination of the recession, a drought and the fact that the other owners had the right of veto over any purchase.

Tribal warfare

The Economist, redoubtable weekly magazine that it is, always adopts a lofty tone in its leader columns, dismissing with great vigour any idea it finds absurd. So it cannot complain too much if it occasionally gets the same sort of treatment itself. Take last Friday's outburst by ex-prime minister Sir Edward Heath at a conference in Luxembourg. Sir Edward dismissed John Major's recent European vision article in "The Economist" as "glibly", and then complained that the magazine had not allowed him to write a serious rejoinder.

But presumably that request was only a jest, since he ended by dismissing the mag as "not read at all in Britain, sparsely read in Europe, and mainly a coffee table paper in America".

Buying time

Saatchi & Saatchi, which has brushed up the image of everyone from Boris Yeltsin to Britain's Conservative party, is not one to duck tough assignments. So it is perhaps not surprising that the

latest - and perhaps oddest - political figure who may seek its help is former Nigerian president General Ibrahim Babangida.

Babangida stood down in August after eight years in charge, but at 53 he seems too young for permanent retirement. He now lives in some splendour in his home town of Minna, but his aspirations for statesmanship appear to be resurging, now that his erstwhile right hand man, General Sani Abacha has got rid of the interim government, led by civilians but backed by the military.

Word is that Babangida may be prepared to pay handsomely for the top-notch marketing advice available from the likes of Saatchi, to smooth the path for a possible comeback when elections are held in a few years' time.

Back to basics

A terrifying new professional standard is being proposed for Britain's bean-counters by the Auditing Practices Board. SAS 210 pronounces that auditors must get to know the business they examine sufficiently well to understand the practices that might have a significant effect on the financial statements. It seems that there has been no such standard in the UK up till now. No wonder all these companies keep collapsing without a peep from the auditors.

Apec in c minor

One of the most delicate issues facing the delegates from 17 Pacific Rim countries who have been meeting in Seattle was what to call their high-level pro-wow. The formal title, Asia-Pacific Economic Co-operation, is a clumsy mouthful that Gareth Evans, Australia's foreign minister and one of the early promoters of the Apec grouping, describes with only partial grammatical correctness as "four adjectives in search of a noun." US secretary of state Warren Christopher called it Opec, while President Bill Clinton preferred Asia-Pacific Economic Council.

Australia's Mr Evans believes it is only a matter of time before Apec moves to "three adjectives and a noun: Asia-Pacific Economic Community." But the word "community" has ruffled many Asian feathers.

Ms Rafidah Aziz, Malaysia's minister for international trade and industry, said the group was already a "community with a small c", but that she had no desire to capitalise the word.

Fred Bergsten, the US economist in charge of a group of eminent persons drafting a vision for Apec's future, then had to convince Apec ministers that although his group's report spelt Community with a

capital C, it was not proposing the creation of another European Community.

MacLeod's day

Meanwhile it did not take long to spot the odd man out at the summit. Hamish MacLeod, a 53-year-old Scottish civil servant, can scarcely have expected to be rubbing shoulders so informally with the leaders of 40 per cent of the world's population when he was appointed to be Hong Kong's financial secretary.

However as all three Chinas - China, Taiwan and Hong Kong - are members of Apec it was politics only for one to send its head of government. So MacLeod, a mild-mannered St Andrews graduate who has worked his way up the Hong Kong government since joining as an administrative officer in 1968, was sent as Hong Kong's "economic leader".

What Jiang Zemin, China's president, thought of having MacLeod sitting next to him in all the meetings is not recorded.

Gone fishing

So now we know what Sir Derek Alun-Jones, the deposed boss of troubled Ferranti, did with part of his near £500,000 golden handshake. The independent on

Nigerian report urges an inquiry into 'leakage' of state funds

By Michael Holman, Africa Editor, in London

A confidential report for Nigeria's deposed civilian leader attacks widespread leakages in state funds and urges an investigation into \$1.5bn of oil receipts paid into special project accounts in the first half of this year.

The report also reveals that the mid-year limit for this year's national budget has been over-shot, with the deficit reaching \$26bn (\$540m), far in excess of the \$15.6bn target and little short of the \$31.1bn deficit approved for the full 12 months. It also warns of "huge" defence ministry debts.

The disclosures come as Britain and its Western European Union partners meet in Luxembourg today to consider sanctions against Nigeria's new military government.

The 60-page document, "Final Report of the Budget Monitoring Committee", was commissioned

earlier this year by Chief Ernest Shonekan, civilian leader of the military-backed interim government. He was forced to resign last week by General Sani Abacha, the defence minister who is now the new head of state.

The report, handed over to Mr Shonekan on August 24, criticises "leakages" of state funds, condemns unworkable multi-billion dollar projects, and shows up a legacy of mismanagement and uncontrolled state spending under Gen Ibrahim Babangida, who stepped down last August after seizing power in 1993.

Western diplomats and aid officials, who gave access to the report, say that the committee's efforts to make government spending more transparent and to ensure independent audit of the operations of the state-owned Nigerian National Petroleum Corporation (NNPC) were largely frustrated by the country's generals.

The military feared exposure of

the corruption that pervades the political system, they said.

In the first half of this year, says the report, oil sales worth "a total sum of \$1.537bn was paid into various dedicated accounts". The committee complains that it "was unable to have access to detailed information on the operation of these accounts", set up under Gen Babangida to meet the foreign exchange costs of projects such as a proposed liquefied natural gas plant.

The committee advocates "a clearly defined reporting process" for revenue earning agencies, "particularly" for the NNPC "so that the reason for the large shortfalls in revenue" in the first half of the year "can be identified and leakages blocked".

The report expresses concern about "non-payment of revenue of \$1.1bn expected from the sale of domestic crude oil lifted and refined by NNPC for local consumption" in the first six months of this year. The non-payment

"should be tackled with all the seriousness it deserves", says the committee.

The report notes that the ministry of defence has "accumulated huge debts which government is not in a financial position to honour at the moment" and criticises the "considerable cost of keeping procured weapons in warehouses abroad".

Western military attachés say that the army has made substantial purchases of weaponry abroad, much of it unnecessary or inappropriate, while failing to maintain existing equipment. A western commercial attaché has said that "commissions" to middlemen ranged from 20 to 40 per cent of the contract.

Nigeria's military government has reduced last week's increase in the petrol price from \$5 to \$3.25 a litre in a deal with labour unions which ends the week-long general strike.

Europe-wide spending curbs put pressure on pharmaceuticals groups Drug sales hit by government reforms

By Paul Abrahams in London

Drug sales in Europe have stagnated in the wake of government reforms aimed at curbing spending on pharmaceuticals in Germany, Italy and the UK.

Sales in pharmacies in the seven biggest European markets, which together form the world's biggest drugs market, were static at constant exchange rates during the first nine months of this year, according to IMS International, the market research group.

In dollar terms they declined from \$38.4bn during the first three quarters of 1992 to \$34bn during the same period this year.

Further reforms to limit pharmaceutical spending, recently announced in Spain and Portugal, will add to the pressure on sales. France is also expected to reveal a new drug-pricing scheme later this month.

Pharmaceuticals companies are also struggling with sluggish growth in the US, the world's biggest single market. This grew

only 4 per cent from \$31.9bn to \$33.2bn. Sales have been held back by the growing power of bulk purchasers of health care of negotiating ever greater discounts.

The Japanese market, the world's second-largest single market, rose 13 per cent in volume terms, up from \$11.2bn to \$12.6bn. However, a 7 per cent price cut is expected to be introduced next year by the ministry of health and welfare.

The slowdown in Europe was mostly the result of a collapse in

sales in Germany, the largest single market in Europe.

Sales in Germany dropped from \$10.9bn to \$9.3bn, a fall of 10 per cent at constant exchange rates. The Italian market declined from \$3.4bn to \$3.2bn, a drop of 3 per cent excluding currencies.

Drugs sales, excluding exchange rates, increased in five of the seven largest European markets. However, growth in France, the UK, Spain, the Netherlands and Belgium was not enough to offset the decline in Germany and Italy.

Prince of Wales sees lack of official UK support on tours

By Michael Cassell, Business Correspondent, in London

The Prince of Wales is frustrated at what he sees as lack of support from some powerful government departments for royal visits abroad which could help secure business for Britain.

The prince wants more support for his role as a commercial and cultural ambassador for Britain when he goes abroad as part of his role as heir to the throne.

The prince's frustration emerged during his recent tour of the Middle East when he visited projects involving British companies in Saudi Arabia, the United Arab Emirates and Kuwait. A Financial Times correspondent travelled with the Prince and was given full access as he met the Gulf rulers, government and business leaders.

The prince has previously tried inviting UK government departments to co-ordinate a more strategic approach to getting the



Prince Charles: time to refocus

most out of his visits abroad, but with little success.

Fresh attempts are now being made by the prince's private office to improve links with Whitehall, most particularly with the DTI, which has itself embarked on an ambitious programme to help boost British

exports. After years of public obsession with his marriage to the Princess of Wales, Prince Charles wants to refocus attention on his serious role as heir to the throne.

His separation from the princess last year came at a time when the role of the Royal Family in Britain and its use of taxpayers' funds to support its public duties have come under increasing scrutiny. Prince Charles feels that senior officials have underestimated the potential commercial benefits for UK companies fighting for work in tough foreign markets from his role as a royal envoy.

According to one of his inner circle: "Parts of Whitehall still see royal visits in an anachronistic way. A certain amount of re-education is required and is under way."

Where royalty still counts, Page 13

Egypt-Israel grids link

Continued from Page 1

regional power grid as soon as there is a more comprehensive Mideast peace agreement.

Under the potential gas supply deal, Mr Shahal said a pipeline would be built from the Egyptian Nile Delta to Israel, passing through the Gaza Strip, which could also be supplied with Egyptian gas. Israel hopes to agree a supply contract under which Egypt would pipe up to 2m tonnes of natural gas annually for 25 years, mainly to Israeli power plants.

The \$1bn project may be funded in part by the EU. An international energy company, approved by both Egyptian and Israeli energy ministries, will undertake a study.

Egypt has said it has insufficient natural gas to export, but potential discoveries might provide the necessary reserves. Mr Shahal also said that, in future, payments for Egyptian petroleum would be made through an Israeli commercial bank.

THE LEX COLUMN

A taste for Guinness

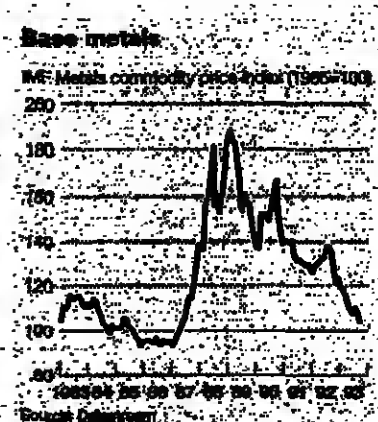
There has been something of a turnaround in City sentiment towards Guinness, whose shares have risen by 13 per cent from last month's trough. Part of the reason is the more robust message coming from management. First came the shake-up at the top of its spirits division, though that can only be judged when a replacement is found for Mr Crispin Davis, its former chief. Guinness has also made a concerted effort to reassure the market about the durability and usefulness of its links with LVMH. Last week's sale by LVMH of its Roc beauty products division will further calm fears that it might sell its 24 per cent stake in Guinness to raise cash. It would have to be foolish - or desperate - to do so at this stage of the cycle anyway.

Perhaps more important is the way Guinness is tweaking its message about brands. There is less talk now about trading up in south, and more about securing market share by demonstrating the inherent value rather than the mere status appeal of its brands. That applies even at the lower end, which Guinness has neglected in the past. Guinness may thus derive premium value for its brands across the price spectrum in a way that is less dependent on a tendency to trade up. In beer, Guinness is pushing its stout brand in a way that seems consciously designed to distract from the continuing embarrassment of its foray into the Spanish domestic lager market.

No doubt this new formulation of its strategy appeals because it corresponds better to the drinks market reality. Guinness is adamant that it is not in the business of discounting. Nor is it simply living in the hope that its customers will soon begin to trade up again. A better-defined sense of purpose may have stopped the short-term rot in its share price. It will still be a long while, though, before that translates into a significant recovery of profits.

Alcazar

It was always going to be tough getting Alcazar off the ground, given the complexities of negotiating between four airlines, six governments and a host of trade unions. But after compromising over so much, it seems odd the merger should come juddering to a halt over the seemingly innocuous issue of which US airline partner to choose. That suggests the principle of the merger itself may have become an issue, rather than just the practicalities.



Source: Hang Seng Index

pendent States, leave metals markets with plenty of slack.

Past experience suggests stocks in aluminium and nickel will have to halve before prices show real recovery. Stock levels will only fall slowly unless production is cut. There are some signs of action on that front. US aluminium producers have cut 700,000 tonnes capacity in the last 18 months. Yet exports from the CIS have risen twice that amount since prices started to slide. Russian aluminium smelters and nickel producers will be unwilling to turn off the tap. While most big tin producers recently agreed to restrict exports, it is not clear China will do so. There is always a chance that demand within Russia will revive and soak up more local production. But that cannot be taken for granted. While the slide in metals prices leaves scope for dramatic improvement, the timing of recovery looks anything but copper-bottomed.

Hong Kong

For a stock market which has risen 70 per cent this year, Hong Kong is not easily unsettled. Morgan Stanley's advice that its clients should scale back exposure to Hong Kong equities might have been expected to jangle nerves. The flight of US institutional investors from low interest rates at home has contributed heavily to the market's remarkable run. With shares trading on a multiple of around 15 times next year's forecast earnings - against a normal trading range of up to 12.5 times - it is hard to quibble with the judgment that the Hang Seng index is fully valued.

But the US is not the market's only source of liquidity. Japanese investors have joined the buying party since the summer. With the local economy booming, Hong Kong itself is hardly strapped for cash. Anecdotal evidence suggests local investors have pulled back from the more extravagantly priced stocks. Some of that cash is likely to be reinvested, perhaps in second-line shares. That should provide support even if US investors now temper their enthusiasm.

Still, Hong Kong will find it more difficult to shrug off bad news from here on. China remains both an enticing prospect and a possible source of nasty shocks, both political and economic. While Beijing's credit squeeze now appears to be easing, that may only postpone the day when resolute action is required to curb an overheating economy.

Metals

The launch of Mercury Asset Management's mining trust this week will provide investors with a useful diversity of risk. RTZ stands alone among top-notch UK mining companies, and the trust will invest worldwide. Whether it is worth digging deep to invest in mining shares at this stage of the cycle is less clear. Base metals prices are at historic lows in real terms - so it is tempting to call the turn. Demand for metals should improve through 1994 as economies pull out of recession. The snag is that high stocks and cheap exports, notably from the Commonwealth of Inde-

FT WORLD WEATHER

Europe today

The early winter conditions will keep a firm grip on Europe. Unseasonably cold and sometimes record low temperatures affect a large area. Temperatures will not exceed freezing north of Spain and Bulgaria. During the night, a moderate frost is expected in the North Sea regions, the lower Alpine sections and the northern Balkans while even colder air spreads from the CIS and Scandinavia across Poland and Germany to northern France. Widespread snow is expected from the Balkans to southern Scandinavia, with snow accumulating to 5-12 cms in Poland, Austria and central Germany. Cloud in the Low Countries and British coastal regions will give light snow flurries. A surge of warm air off the Mediterranean will enter south-eastern Europe bringing rain and thundery showers to Greece and southern Turkey and snow further north.

Five-day forecast

Wintery conditions will persist in most regions, but temperatures will slowly rise during the week. Still, very cold air will reach Scotland and Ireland tomorrow, possibly bringing record low temperatures. Snow will fall in the Low Countries, southern Scandinavia and north-western France.

TODAY'S TEMPERATURES

Location	Maximum	Minimum	Weather
Abu Dhabi	28	24	sun
Accra	28	24	sun
Algiers	19	10	sun
Amsterdam	10	4	cloudy
Athens	19	10	sun
B. Aires	20	10	sun
B. Ham	10	4	cloudy
Bangkok	35	25	sun
Barcelona	13	8	sun
Beijing	2	-2	sun
Bombay	33	24	sun
Buenos Aires	19	10	sun
Burgas	10	4	sun
Calcutta	30	24	sun
Cairo	28	18	sun
Cape Town	18	10	sun
Cardiff	10	4	cloudy
Chengdu	10	4	cloudy
Chongqing	10	4	cloudy
Cologne	10	4	cloudy
D. Salom	10	4	cloudy
Dakar	26	16	sun
Dallas	19	10	sun
Darwin	33	24	sun
Delhi	30	24	sun
Dubai	30	24	sun
Dublin	10	4	cloudy
Dunedin	10	4	cloudy
Edinburgh	10	4	cloudy
Faro	10	4	cloudy
Frankfurt	10	4	cloudy
Geneva	10	4	cloudy
Glasgow	10	4	cloudy
Hamburg	10	4	cloudy
Hankow	10	4	cloudy
Helsinki	10	4	cloudy
Hong Kong	24	16	sun
Honolulu	28	20	sun
Istanbul	14	8	sun
Jakarta	31	24	sun
Karachi	31	24	sun
Kuala Lumpur	31	24	sun
La Paz	10	4	cloudy
Las Palmas	22	14	sun
Lima	22	14	sun
Lisbon	13	8	sun
London	10	4	cloudy
Luxembourg	10	4	cloudy
Lyon	10	4	cloudy
Madrid	18	10	sun
Manila	31	24	sun
Medan	31	24	sun
Melbourne	16	10	sun
Mexico City	16	10	sun
Miami	24	16	sun
Moscow	14	8	sun
Murich	14	8	sun
Nairobi	31	24	sun
Nagasaki	14	8	sun
Nassau	22	14	sun
New York	13	8	sun
Nice	16	10	sun
Nicosia	16	10	sun
Oaxaca	16	10	sun
Osaka	16	10	sun
Paris	16	10	sun
Perth	16	10	sun
Prague	16	10	sun
Rangoon	31	24	sun
Reykjavik	16	10	sun
Rio	16	10	sun
Riyadh	31	24	sun
Rome	16	10	sun
S. Francisco	16	10	sun
Seoul	16	10	sun
Singapore	31	24	sun
Stockholm	16	10	sun
Strasbourg	16	10	sun
Sydney	16	10	sun
Taipei	31	24	sun
Tokyo	16	10	sun
Toronto	16	10	sun
Tunis	16	10	sun
Vancouver	16	10	sun
Venice	16	10	sun
Vienna	16	10	sun
Winnipeg	16	10	sun
Zurich	16	10	sun

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COMPANIES AND FINANCE

Direct Line chief sells bonus for one-off £45m

By Richard Lapper and John Gapper

Mr Peter Wood, the chief executive of Direct Line, the rapidly growing insurance company owned by the Royal Bank of Scotland, is about to swap a multi-million pound remuneration package for a one-off payment of about £45m.

Full details will be disclosed later this week when Direct Line reports its latest figures. The payment is expected to consist of cash and shares in Royal Bank of Scotland. It is understood that Mr Wood will hold the shares for at least five years.

The payment is understood to include remuneration of

about £18m for this year, reflecting the rapid growth of the motor insurer in the past 12 months.

Last year Mr Wood, who founded Direct Line in 1985, received a little more than \$6m from his bonus contract which links his annual pay to the rate of asset growth of the insurance company.

The bonus accounted for \$6,014,000 of his total emoluments of \$6,121,290. The deal was originally agreed in 1988 when Mr Wood sold his 25 per cent stake.

The company was the UK's first telephone-based "direct" insurer, selling motor insurance policies by telephone and has grown rapidly, specialising

in the lower risk end of the market. Earlier this year it announced that it was on course to becoming the country's biggest motor insurer.

Direct Line recently announced its intention to expand into the home insurance market, where it is highly critical of the commission rates charged by building societies, banks and other intermediaries. The group is also test marketing plans to sell personal loans by telephone.

The company has nearly doubled the number of its motor-insurance customers to 1.38m during the past year. It employs 1,900 people in Croydon, Glasgow, Manchester and Birmingham.

Unscrambling a plate of tangled spaghetti

Andrew Jack examines the highly unusual and complex insolvency of Kweim

It is one of the biggest and most complex insolvencies ever. Last week it moved into a new phase, as creditors voted overwhelmingly for a scheme of arrangement under English law for the Kweim insurance companies.

At stake is the future of five insolvent insurance companies, themselves part of a far wider web owned by London United Investments, which is in administration. Other connected companies include Weavers, the insurance agency now in liquidation.

"This is either the end of the beginning or the beginning of the end," says Mr Chris Hughes, head of insolvency at accountants Coopers & Lybrand and one of the joint provisional liquidators.

Creditors to the different companies may receive initial dividends in the range of 3 per cent to 12 per cent by summer next year, and between 35 per cent and 47 per cent ultimately. But the process of running down the company is likely to take as long as 40 years, as many future claims continue to emerge.

Kweim is short for Kingscroft, Walbrook, El Paso, Line Street and Mutual Reinsurance, five insurance companies which were created or acquired by LUI since the early 1970s. Most of the business they took on through Weavers was "long-

tail". It was primarily North American insurance and reinsurance for professional and medical indemnity, product liability and directors and officers cover.

From the late 1980s, adverse claims rose to the point at which they ceased underwriting new business, and then in 1990 instructed Weavers to stop

costs, including legal fees, are £22m. Over the next three years it projects administration costs of \$69m (£69m). Mr Hughes argues that the complexities justify the fees.

Another sensitivity is the potential conflict of interest, which are rife at Kweim. Walbrook last summer became part of the Kweim scheme

administrator.

One of the most time-consuming tasks has been reconstructing the records of the insurance companies in usable form. Many are stored in London warehouses on paper or microfilm. Even those on computer need modifying so each individual policyholder can be identified, previously a detail which only the broker needed.

So far, that has led to the identification of more than 35,000 creditors. It will take many more months for the process to be complete. "We have had to unscramble accounting information that is, crudely put, like a plate of spaghetti," says Mr Hughes.

To help grapple with the logistics of the proposed scheme, Coopers brought in one of its own project management consultants, Mr Jeff Morris. His previous job had been to co-ordinate the relocation of 5,000 Coopers staff as the number of London offices was cut from 18 to three.

He created six teams to work on the preparations behind the scheme, including one to manage and invest Kweim's considerable cash assets of more than \$700m, which it must retain to pay out future claims. The presence of so much money makes Kweim a highly unusual insolvency.

Another team was geared to explaining the scheme to the

10 different types of creditor who had to approve it: those who were and those who were not to benefit from the government's Policyholders' Protection scheme, across each of the five Kweim companies.

Now Mr Morris is planning the gradual run-off stage of Kweim, most of which will be done by about 160 staff employed through Kweim Management Services. That requires considerable investment in new systems, in re-establishing a relationship with the rest of the insurance market, and motivating staff.

A job with a business which plans to close is rather unusual, but Mr Morris says: "Job guarantees are very short-term these days. KMS has a life of at least 20 years."

"There is a big job going forwards," says Mr Hughes. Financial investigations are under way to trace assets, and litigation against both auditors and agents alleged to have misappropriated assets continues. The House of Lords still has to resolve exactly who will benefit from the Policyholders' Protection scheme.

It will also be some time before the effectiveness of schemes of arrangement for insolvent insurance companies has been reliably tested.

Running down the company is likely to take 40 years as many future claims continue to emerge

paying claims on their behalf. After lengthy negotiations with creditors, the companies entered provisional liquidation in March 1992, except Walbrook, which entered the procedure in August that year.

Collectively, the Kweim companies have more than \$60m (£63.5m) in liabilities. Allowing for current actuarial estimates with a high degree of statistical confidence, the final figure may be as high as \$8.1bn.

Aside from the sheer size of the numbers in the accounts, work on Kweim has presented substantial difficulties. At its peak Coopers was up to 50 full-time staff.

So far, the firm's fees have exceeded £7.4m, and its total

partly because of creditors' concerns that there would be clashes in objectives if the LUI administrators remained in charge of managing Walbrook.

Coopers has hired actuaries and accountants from its own practice to provide independent advice on the liabilities and the viability of the scheme. It is also, like the other large accountancy firms, a creditor to the Kweim companies on professional indemnity.

Mr Hughes says: "We have to be sensitive to issues where there might be a conflict." If he believes there is potential tension, he uses Mr Gareth Hughes, an Ernst & Young partner, as "scheme conflicts

Ruberoid oversubscribed

The offer for sale by Ruberoid, the roofing subsidiary Tarmac is spinning off to the market, was 2.1 times subscribed. With 16.53m ordinary 5p shares available, valid applications were received in respect of 35.03m shares.

Applications for 200 to 500 shares will be met in full; 600 shares will receive 550; 800 will receive 600; 1,000 will receive

850; 1,500 will receive 750; 2,000 to 10,000 will receive 40 per cent of application; 20,000 to 50,000 will receive 30 per cent of application with a minimum of 4,500 shares; more than 500,000 will receive 17.5 per cent of application.

Extraordinary applications for 241,800 shares received from eligible employees will be allocated in full.

Heavy demand for Badgerline

Demand was heavy for shares in Badgerline, the regional bus company which begins trading on Friday, with the public offer 1.7 times subscribed.

Lazard Brothers, Badgerline's merchant bank, said 23.4m shares had been placed

with institutions and other investors, while a further 14.2m was offered to the public at 115p.

Heavy public demand meant that applications for more than 500 shares would get fewer than requested.

UniChem in £8.9m expansion

UniChem, the pharmaceutical distributor and chemist retailer, is making a £8.9m expansion.

BCA is the main wholesale pharmaceutical supplier to 186 pharmacies in and around Bradford. Turnover for the year ended September 1993 was £52m with pre-tax profits of a little more than £1m.

Stagecoach makes £4.4m bus buy

Stagecoach Holdings, the

NEWS DIGEST

Perth-based regional bus service operator, floated in April, has acquired all the issued share capital of Grimsby-Cleethorpe Transport for £4.4m in cash.

In addition, a pre-acquisition dividend of £300,000, financed by Stagecoach, has been paid to the vendors.

IDV agreement with Polychem

International Distillers & Vintners, the drinks arm of Grand Metropolitan, has reached agreement with Polychem, part of the Kilchand Group, to establish a joint venture company to produce, market and distribute IDV brands in India.

ID India, the new company, to which IDV will have a 60 per cent holding, will begin production early next year of Smirnoff vodka, Malibu coconut rum, Archer's schnapps and Chelsea gin, and will bottle the Spey Royal Scotch whisky.

Pelican flies into the US

Pelican Group, the restaurant concern, is to acquire a US corporation to be named Pelican USA, the assets of which comprise a 50 per cent interest in the Cafe Tu Tu Tango restaurant business, together with \$1m cash, for a consideration of \$2.08m (£1.39m).

Following completion of the deal Mr Robert Earl, who is behind the Planet Hollywood chain and is currently a non-executive director of Pelican, will become an executive director of Pelican USA.

Boardroom battle at Fife Indmar

By Peggy Hollinger

A minority group of shareholders at Fife Indmar, the engineering and distribution company, is leading a boardroom rebellion aimed at unseating Mr Gavin Hepburn, the long-time chairman.

The shareholders, who claim some 10.5 per cent of the shares, have requisitioned an extraordinary general meeting to replace Mr Hepburn and fellow director Mr Michael Blumro with Mr Guido Crolla, a Scotsman, and Mr Charles McDonald, who

holds about 8 per cent of Fife.

He joined the board in 1988 following Fife's acquisition of Jack Scott, his North Sea hire firm. If successful, the rebels intend to appoint Mr McDonald as chairman.

Mr Crolla, who would become managing director, said he had approached Fife with proposals in June, but had been rejected.

A detailed statement would soon be sent to shareholders setting out his proposals, which are likely to include asset disposals.

David Chassels of BDO Binder Hamlyn.

The rebels are claiming that the current management had failed to "make best use of the acquisitions in the last few years", according to Mr Crolla, who made £1.7m earlier this year when he sold his Citylink bus business to National Express.

In the last decade, Fife has diversified from marine engineering into distribution and catering.

The rebels include director Mr Charles McDonald, who

Navan seeks to re-open Bulgarian mine

By Kenneth Gooding, Mining Correspondent

Navan Resources, a small Dublin-based company, is to raise £17m (\$5.6m) via a placing to cover the cost of a 40 per cent stake in the Chelopech mine in Bulgaria which the company says produced 45,000 troy ounces of gold and 8.8m lbs of copper annually during the 1980s.

Navan also claims that the Chelopech ore body contains 5.4m ounces of gold and is one of the largest gold resources in Europe.

The mine was closed by the new democratic government in

April 1991 because of unacceptable high levels of arsenic in the copper concentrate (an intermediate material) sold to the nearby smelter at Pirdop.

Navan says it has been able to earn a 25 per cent interest in the mine by demonstrating to the Bulgarian authorities that these environmental problems can be overcome.

A joint venture company, Bimac, with an authorised capital of 1bn Bulgarian lev (about £24.8m) has been established to operate the mine and associated facilities. But it will not inherit past liabilities of any kind. Navan will inject about £2.6m into Bimac and directly

own 40 per cent. It has the right to take its stake to 68 per cent. The £2.6m will be used to bring the mine back into production in 1994.

Crossroads Oil loss

USM-quoted Crossroads Oil Group incurred a pre-tax loss of £1.52m for the 15 months to June 30, 1993, against a restated £297,032 profit for the previous year.

Losses per share were 3.54p (0.9p earnings). No dividend is declared for the period, but the board said it intended to declare a distribution in 1994.

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NOTICE TO SHAREHOLDERS

It was resolved at the Annual General Meeting of the shareholders held in Luxembourg on 17 November 1993 that the following dividends should be paid:

FFF-Fleming Eastern Opportunities Fund
A dividend of US\$ 0.058 per share is payable on 30 November 1993 to shareholders of record at 17 November 1993. The shares will be quoted ex-dividend as from 18 November 1993.

FFF-Fleming European Fund
A dividend of US\$ 0.014 per share is payable on 30 November 1993 to shareholders of record at 17 November 1993. The shares will be quoted ex-dividend as from 18 November 1993.

FFF-Fleming Global Convertible Fund
A dividend of US\$ 0.1352 per share is payable on 30 November 1993 to shareholders of record at 17 November 1993. The shares will be quoted ex-dividend as from 18 November 1993.

FFF-Fleming International Bond Fund
A dividend of US\$ 0.4043 per share is payable on 30 November 1993 to shareholders of record at 17 November 1993. The shares will be quoted ex-dividend as from 18 November 1993.

FFF-Fleming Japanese Fund
A dividend of US\$ 0.2424 per share is payable on 30 November 1993 to shareholders of record at 17 November 1993. The shares will be quoted ex-dividend as from 18 November 1993.

FFF-Fleming United Kingdom Enterprise Fund
A dividend of 0.0170 per share is payable on 30 November 1993 to shareholders of record at 17 November 1993. The shares will be quoted ex-dividend as from 18 November 1993.

Shareholders may elect for their dividends to be paid into their account with Robert Fleming & Co Limited, Luxembourg Branch, and subsequently be invested automatically in the subsequent further shares of the same class.

Request for receipt of dividends must be made to the company or to Robert Fleming & Co Limited, Luxembourg Branch, in writing except in the case of bearer shareholders and Japanese shareholders where distribution of dividends is automatic.

Holders of registered shares who do not have an account with Robert Fleming & Co Limited, Luxembourg Branch, will be paid by cheque at their registered address. Dividend payments to registered shareholders of less than US\$ 50 will be reinvested in further shares of the same class.

Holders of bearer shares must send the relevant coupons to: Kreditbank SA, Luxembourg, 10, Boulevard Royal, L-2955 Luxembourg, and inform the bank where the amount of the dividend is to be paid.

FFF-Fleming Eastern Opportunities Fund coupon number 3
FFF-Fleming European Fund coupon number 2
FFF-Fleming Japanese Fund coupon number 3
FFF-Fleming Global Convertible Fund coupon number 1
FFF-Fleming United Kingdom Enterprise Fund coupon number 1

By Order of The Board of Directors

To the Holders of
SHEARSON LEHMAN CMO, INC.

Series F, Class F-1 Floating Rate Bonds
Due February 20, 2018

Pursuant to the Indenture dated as of February 1, 1985 between Shearson Lehman CMO, Inc. as Issuer and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period November 20, 1993 through February 19, 1994 as determined in accordance with the applicable provisions of the Indenture, is 4.0625% per annum. Amount of interest payable is \$24,156,851.208 per \$10,000 principal amount.

SHEARSON LEHMAN CMO, INC.

\$200,000,000 MFC Finance No. 1 PLC
NOTICE OF REDEMPTION

Series 'A' to 'F' Mortgage Backed Floating Rate Notes

Notice is hereby given, that in accordance with Conditions 5(a) of the Prospectus dated 13th October 1993, the holders intend to redeem \$1,000,000 in aggregate face value of the Notes on the respective December 1993 interest payment dates.

By Citibank, N.A. (Issuer Services), Agent Bank
November 22, 1993, London

CVAS International Limited
(Incorporated under the laws of the Cayman Islands)
Series CVAS 20 \$2,750,000,000
General Floating Rate Notes due 1999/9

Notice A \$2,750,000,000 due 1999 3.50 10/21
Notice B \$2,750,000,000 due 1999 3.50 10/21
Notice C \$2,750,000,000 due 1999 3.50 10/21
Interest period on each Tranche A to E Notes will run from 22nd November 1993 to 22nd February 1994. The Notes are denominated in US\$ 10,000,000.

November 22, 1993, London
By Citibank, N.A. (Issuer Services), Agent Bank

NISSAN CAPITAL OF AMERICA, INC.
(Incorporated with limited liability in the State of Delaware)

YEN 6,000,000,000 FIXED/REVERSE FLOATING RATE NOTES DUE 1996
(The "Series A Notes")

YEN 4,000,000,000 FIXED/REVERSE FLOATING RATE NOTES DUE 1998
(The "Series B Notes")

Notice is hereby given that the "Series A Notes" Coupon No. 2 will pay a coupon amount of Yen 731,250. The rate of interest for the "Series B Notes" Coupon No. 4 has been fixed at 2.1% and the interest payable will amount to Yen 104,417. Both Series A Notes and Series B Notes will be payable on the relevant Interest Payment Date May 20, 1994 in respect of Yen 10,000,000 nominal of the Notes.

November 22, 1993, London
By Citibank, N.A. (Issuer Services), Agent Bank

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USD 100,000,000
T.V. 1990/1995

Bondholders are hereby informed that the rate applicable for the eighth period of interest has been fixed at 3.355%.

The coupon N° 8 will be payable at the price of USD 1,677.50 on March 16th, 1994 representing 180 days of interest, covering the period from November 17th, 1993 to May 15th, 1994 inclusive.

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27/11/93

The Markets

THIS WEEK

Global Investor / Peter Martin

World's eyes on US interest rates



Thanksgiving week in the US promises to add fresh uncertainty to the question preoccupying the world's financial markets: what is the outlook for US long-term interest rates?

The New York markets will start winding down from Wednesday lunchtime in preparation for Thursday's holiday; many people will stay at home on Friday, too. So the active trading week will only be two days - yet into it, the government plans to cram two bond auctions, for two-year notes and five-year notes.

That means that anyone buying these issues may well be stuck with them until next week - potentially a worry in a market that demonstrated its volatility yet again on Friday.

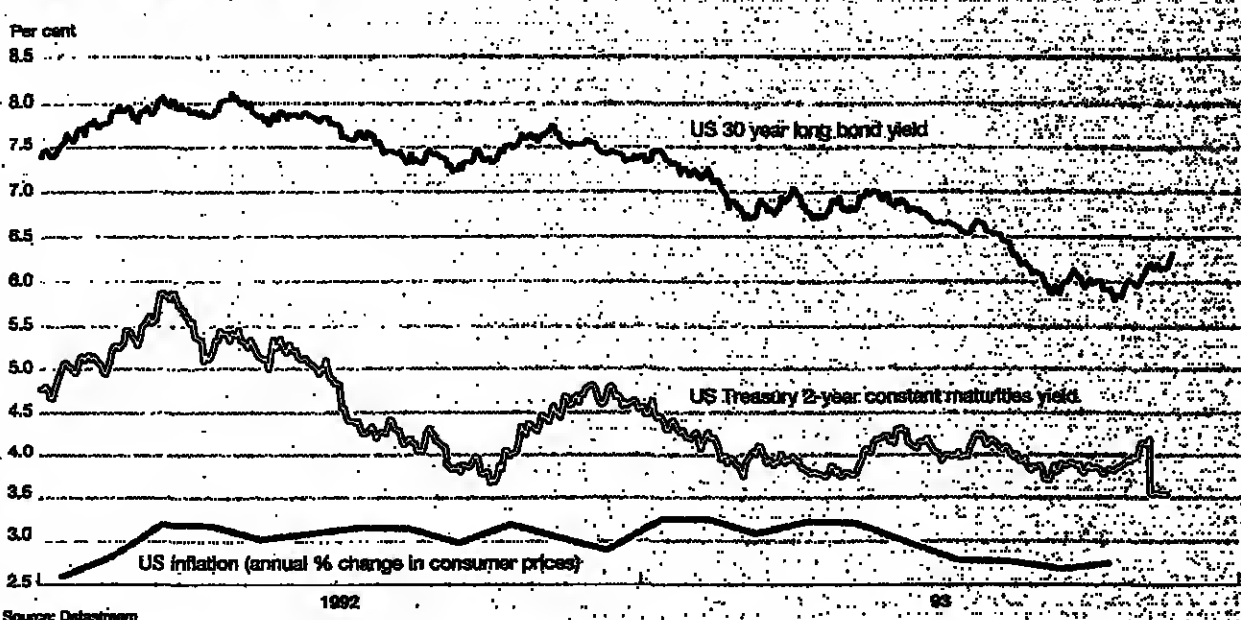
Despite this, the auctions will probably go well; they usually do. The broader issue remains. Has the US bond market moved - as Mr Robert Brusca, of Nikko Securities in New York puts it - from a bear phase of a bull market into a true bear market?

That matters to investors regardless of where they live. A sustained move upwards in long-term US rates would indicate that bond investors fear the return of inflation, suggesting that in the not-too-distant future the Federal Reserve would get the message, too.

The realisation that both short and long-term interest rates were decisively headed upwards in the US would dampen, unpleasantly, around the world. In the US equity markets, shares would be damaged by appearing less attractive than bonds or cash.

Overseas, equity and fixed-income markets would lose the psychological prop of a worldwide outlook of falling interest rates and low inflation. Though the economic climate would still indicate lower inter-

The long and not so short of it



est rates to come in Europe, investors would glance nervously at the US.

Flows of US retail investors' cash - out of deposit accounts and money funds, into equities at home and abroad - would dry up, as Americans rediscovered the joys of interest. An end to the flows, perhaps their reversal, would be bad news for shares worldwide.

Much hangs, therefore, on the outlook for the US bond market. After Friday's further slide in the market, the next few days could be tense. In Thanksgiving week, no-one wants to be the turkey.

Those expressing their gratitude on Thursday will include the heads of big American companies, for whom the fourth quarter is looking happy. One of the biggest and best diversified US corporations recently held a meeting for its divisional bosses. Without exception, said someone

present, they reeled off tales of double-digit revenue growth in September. Fourth-quarter results will reflect this underlying business strength. A shaky bond market may hurt the valuation of the stock market; but it will do little in the short run to damage the improvement in earnings.

Rapid, self-sustaining growth in Asia/Pacific's industrialising economies is one of the investing community's new articles of faith. The television pictures of President Clinton at the APEC economic summit merely confirm the worldwide enthusiasm for equities anywhere in Asia - except Japan.

There's no doubt that this region will be the manufacturing heartland of the world in the coming century. There's also no doubt that the addition of a billion people to the global market economy will have profoundly beneficial results. Don't expect the process to

be a smooth one, though. In some respects, the global economy in the early 21st century will look a lot like it did in the late 19th century: bumpy. A large, rapidly growing, aggressively export-oriented region will make the world grow faster, true - but it will also provide a lot more shocks.

Look at the description last week, from Courtaulds, the UK chemicals company, of how the Chinese credit squeeze had hit revenues. "Production of acrylics and acetate tow that were previously going to China have been diverted to Europe," said Mr Sipko Huisman, Courtaulds' chief executive. Prices in Europe had suffered; and the viscose market in the US would soon be hurt, too.

China's trend growth will be rapid, but it is unlikely to be stable. Periods of slower growth will leave markets awash with unsold product destined for China; and above-trend growth will push up

worldwide prices, once the global economy recovers.

The growing Asian economies are still a relatively small part of world GDP. But their rapid growth and vast populations will make them the world's marginal consumer. And in economics, it's at the margins that things happen.

The flood of money into the developing markets of the Asia/Pacific regions is only partly driven by economics, of course. It's also driven by one of the great self-reinforcing phenomena of current investing: the concept of a "normal" weighting. Global investors look at the world through the prism of one of the worldwide equity indices, such as the FT-Actuaries World Index.

If a market starts to rise rapidly in the name of prudence. Most recently it has led them, with splendid irony, to pour money into the pockets of Pacific rim investors. Did somebody say naïve?

discover themselves to be suddenly underweight in that market. It wouldn't look good at year-end to be underweight in a market that is performing strongly; perhaps it is time to move back into line? Thus, a rally once begun is self-reinforcing, until some event occurs to reverse its course. The smaller the market, the thinner its trading and the further away it is, the more powerful this cycle.

Western fund managers look down on those who still place their faith in a stock's "momentum". Retail investors and the naïve markets of the Asia/Pacific rim might use this technique, they say, but no-one with the merest smattering of modern portfolio theory takes it seriously. Yet they have institutionalised such a concept in the name of prudence. Most recently it has led them, with splendid irony, to pour money into the pockets of Pacific rim investors. Did somebody say naïve?

The new weekly table alongside caters to the increasing interest in the "total return" of asset classes round the world. Total return captures both the capital appreciation of a security and its income stream (dividends or interest). It thus allows you to compare the return in holding your money in the money market, with that available in bonds of different maturities or equities. The table shows the total return in local currency terms on four asset classes in five countries over the past week, the past month and the year to date.

The growing interest in total returns is partly a result of the worldwide trend towards convergence of tax rates on income and capital gains. Investors are increasingly indifferent as to whether they get their profit from a stock's appreciation or its income stream, and want a measure which captures both.

Total returns in local currency terms						
	US	Japan	Germany	France	Italy	UK
Week	0.07	0.06	0.12	0.13	0.17	0.11
Month	0.27	0.21	0.09	0.09	0.74	0.50
Year	4.00	3.56	7.94	8.75	18.19	8.56
Developed 5-year						
Week	0.04	0.20	0.48	0.54	0.70	0.68
Month	0.83	1.36	1.23	0.89	0.12	1.71
Year	8.82	9.34	14.21	15.95	30.43	16.85
Developed 10-year						
Week	0.09	0.14	0.75	0.75	0.93	1.00
Month	1.80	1.89	0.79	0.98	1.36	1.93
Year	13.42	12.19	16.68	22.89	40.79	27.71
Developed 30-year						
Week	0.2	1.8	2.8	2.7	0.2	0.9
Month	1.0	4.4	2.3	1.1	3.5	0.1
Year	12.2	24.1	37.2	30.0	27.2	12.2
Developing 5-year						
Week	0.09	0.14	0.75	0.75	0.93	1.00
Month	1.80	1.89	0.79	0.98	1.36	1.93
Year	13.42	12.19	16.68	22.89	40.79	27.71
Developing 10-year						
Week	0.2	1.8	2.8	2.7	0.2	0.9
Month	1.0	4.4	2.3	1.1	3.5	0.1
Year	12.2	24.1	37.2	30.0	27.2	12.2
Developing 30-year						
Week	0.09	0.14	0.75	0.75	0.93	1.00
Month	1.80	1.89	0.79	0.98	1.36	1.93
Year	13.42	12.19	16.68	22.89	40.79	27.71

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Economic Eye / Edward Balls

China's gradualist strategy not a Russian option



"Therapy without shock" is a tempting slogan for Russian politicians, as they stake out their positions in the run-up to next month's elections. With inflation running above 1,000 per cent a year, and industrial output expected to fall a further 10 per cent this year, the need for therapy is obvious. But "shock therapy"? The Russian people may well figure that they have had more than their fair share of shocks already.

In fact, the party of shock therapy is currently firmly in the lead in the polls. The liberal Russia's Choice party, led by Yegor Gaidar and backed by the president, wants to cut subsidies to state enterprises in order to control inflation and encourage the private sector.

But for supporters of groups such as the Civic Union for Stability, Falcooss and Progress - backed by Russia's industrial lobby - a more gradual approach to subsidy cuts has an obvious appeal.

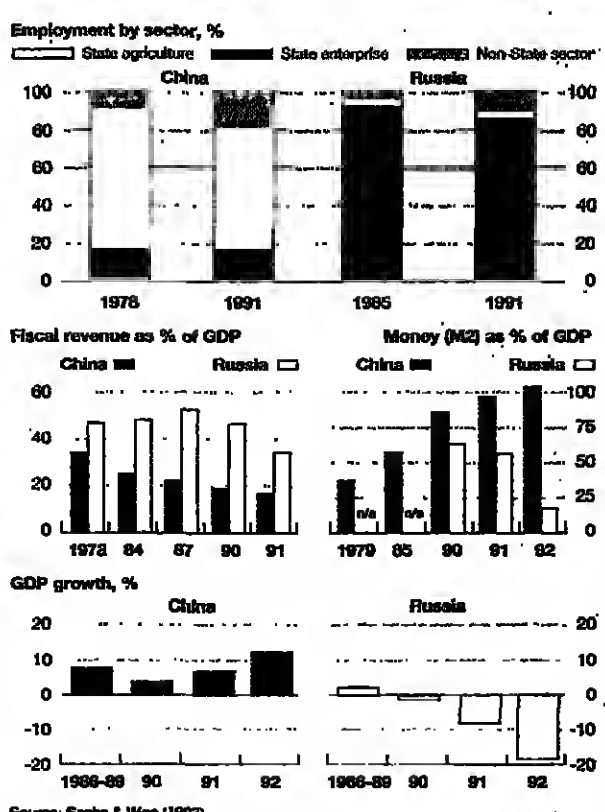
"Gradualism" also has an impressive pedigree. China, which began its transition from central planning back in 1978, has avoided shocks like the plague, while eschewing rapid cuts in subsidies to inefficient state enterprises or mass privatisation.

Instead, the Chinese leadership has concentrated reform first on agriculture and rural enterprise, while cautiously experimenting with liberalisation in selected provinces.

And this "gradualist" strategy has worked. The Chinese economy has grown by a dramatic 6 per cent plus since 1978, doubling its share of world trade.

Compared with Russia, it remains a poor country. Russia's average income per head in 1991 was \$3,230 compared with a mere \$370 in China. But the contrast between the drab streets and decaying industry of Moscow, St Petersburg or Volgograd, and the dynamism of the shining industrial development zones that surround Tianjin, Shang-

Tracking the transition from plan to market



hai or Guangzhou, suggests that these simple dollar income comparisons tell only a small part of a much larger development story.

How tempting, then, to see China as a role model for Russian reform: a relatively painless way to make the transition from plan to market, encouraging the non-state sector and foreign investment but without requiring immediate cuts in state output and employment.

Sadly, the analogy does not work, as Harvard professor and Russian adviser Jeffrey Sachs argues in a forthcoming Economic Policy paper, written with Wing Tye Woo.

The reason is that Russia and China started the transition to a market economy at very different stages of economic development. In China in 1978, the bulk of the population worked in collectivised, but unsubsidised agriculture - state enterprises employed less

than 20 per cent of the population.

Liberalisation of agriculture, and the consequent rapid (not gradual) rise in productivity, meant substantial gains to the rural population and allowed surplus peasant workers to move to the rural industrial sector.

The potential losers from cuts in subsidies to unviable state enterprises are a dwindling minority, while the willingness of the population to increase its holding of money balances has allowed the government to pay monetary credits to industry without fuelling inflation.

China has not escaped inflationary problems. But its inflation has resulted not from the need to subsidise the old, but because the growth of new enterprise has run ahead of the ability of physical infrastructure and economic institutions to support it. It is the World Bank, not

the International Monetary Fund, which is advising China on the structural reforms.

For Russia, this Chinese "gradualism" is not an option. Russia's highly centralised planning means that state enterprises are much larger than in China, while industry is more regionally concentrated, making closure of non-viable plants more difficult.

But Russia is also over-industrialised - only 6 per cent of the population works in agriculture, compared with 83 per cent in state enterprises. The constituency which stands to lose, in the short-term, from cuts in subsidies is therefore much greater.

Meanwhile, as confidence in the currency has dwindled, the government's resort to the printing press has meant accelerating inflation.

This Russian inflation is not a product of overly rapid development but of the government's need to continue to subsidise the past at the expense of progress. Until these industrial subsidies are cut, the bias against the non-state sector and very high inflation will continue to impede growth of the non-state sectors.

Indeed, a gradual approach to cutting state subsidies risks being the worst of both worlds - it hurts the state employees, while providing little incentive for state employees to move into the service or private sectors. Hence, the importance the IMF attaches to linking aid to cuts in inflationary industrial credits.

Of course, Russia's transition to democracy makes the short-term task of cutting subsidies even harder, a problem that China has never had to face - which explains why the IMF has been criticised, both by Russia's reformers and western economists, for being much too cautious in offering this financial support, most recently by Mr Sachs in today's FT Letter's column. But, in the debate between advocates of "gradualism" and rapid disinflation, Mr Sachs and the IMF are on the same side.

This announcement appears as a matter of record only

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WORLD BOND MARKETS: This Week

NEW YORK

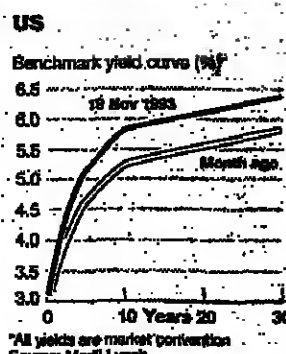
Patrick Harverson

Already reeling because of a string of recent encouraging economic statistics, US bond prices are likely to come under renewed pressure this week from more economic data and an influx of new supply.

The only good news for fixed-income investors is the Thanksgiving holiday, which will shut the market on Thursday and close it early on Friday, at 1pm. They may also be cheered by Monday's release of the latest Federal budget deficit figure, which is expected to show a slight shrinkage in the deficit.

Otherwise, the only notable data due is the October durable goods orders report on Wednesday. After September's slight 0.7 per cent rise in durable goods orders, Wall Street is looking for a bigger increase.

With sentiment so gloomy, traders are not looking forward to this week's Treasury auctions, which will add supply to the market at a time when prices are vulnerable.



Today, the Treasury will sell \$17bn in two-year notes (the largest such issue in history), and on Wednesday it will sell \$11bn in five-year notes.

If Friday's fall in prices is carried through into the early part of this week, institutional investors could fear further declines and stay away from the auctions, pushing yields even higher. Thursday's holiday may not come a moment too soon for the bond market.

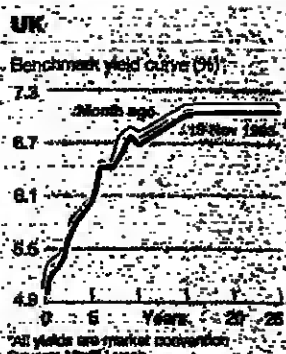
LONDON

Emma Tucker

Activity in the UK government bond market is likely to be subdued this week as investors wait to see whether Mr Kenneth Clarke, the Chancellor, will cut interest rates at or around the time of the Budget on November 30.

The market is fired-up for a base rate cut following last week's encouraging economic data, in particular the small rise in inflation.

This has provided Mr Clarke with a good excuse for easing monetary policy, should he need to sweeten the tax increases which are widely expected to be announced in the Budget.



Money supply data published today and inflation figures for four states later this week will be closely scrutinised to see whether the optimism is justified.

The market expects growth in October M3 of 0.3 to 0.7 per cent on an annualised basis, compared with the Bundesbank's target of 0.5 to 0.6 per cent for the year. Inflation data from Baden-Württemberg, North-Rhine Westphalia, Hesse

FRANKFURT

David Waller

The Bundesbank policy-making council meets only twice more this year, on December 2 and December 16. With long bond yields close to a historical low, at 5.8 per cent on Friday, the market is clearly anticipating further decisive rate cuts at one or other of these meetings.

The failure to deliver more than a fractional reduction in the securities repurchase rate after last Thursday's council meeting did nothing to unsettle the optimism.



and Bavaria are also likely to be positive.

Two factors weigh against the optimism. First is the Bundesbank's love of surprise, everybody is taking rate cut for granted, so it is likely to want to disappoint them. Second is the influence of the US bond market: investors are becoming wary of the possibility of US interest rate rises. This has unsettled US bond prices and could spill over into the bond market.

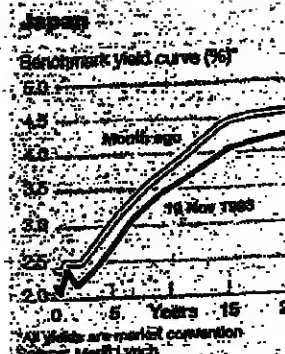
TOKYO

Eniko Terazono

The Japanese government bond market is likely to move in a narrow range this week, with investors focusing on evidence of further economic weakening and the size of a prospective income tax cut.

Investors have become wary of the recent fall in the yield on the No.145 10-year benchmark, to below the 3.5 per cent level. An increasing number last week tried to over the risk of profit-taking by buying put options, or contracts giving the holder the "right to sell".

However, increasing pessimism over an economic recovery is likely to support lower interest rates.



implement an early tax cut to boost the faltering economy, financed by government bonds, until consumption tax is increased.

Traders believe a tax cut of ¥5,000bn to ¥8,000bn a year ahead of any consumption tax hike will be unlikely to affect supply and demand but a cut over ¥10,000bn, two to three years ahead of a consumption tax increase will be bad news for the bond market.

Capital & Credit / Sara Webb

Bank may bow to Gemms on repos

One by one, the various gilt-edged market makers (or Gemms) have been called in to see the Bank of England in recent weeks and invited to give their views on whether the UK should have a fully-fledged bond lending or repurchase (repo) system.

Two years ago, such an approach by the Bank would have seemed inconceivable. It was widely felt by the securities houses, especially those with active repo desks in other government bonds, that the Bank had a strong aversion to an open repo market.

Yet in the space of two years, the pressure has built up for an open repo market and the Bank's willingness to listen to Gemms' views on the pros and cons of such a system suggests it is genuinely open-minded on this matter.

Those who have told the Bank their views believe that an open repo market is inevitable: it is simply a question of time and the determination to overcome certain obstacles, such as the regulation of a

repo market and implications for the taxation of dividends.

Gemms have enjoyed a privileged position for several years. Because of their requirement to make two-way prices under all market conditions, they need to be able to borrow gilt-edged stock to complete their sales. This they do through Stock Exchange Money Brokers, specialist intermediaries who borrow the gilts from approved lenders, such as large institutions.

Increasingly, market participants have argued that the Gemms' privilege should be extended to others: through repos, holders of gilts would be able to sell them for cash for an agreed period of time, at the end of which they would buy them back at an agreed price.

Such arrangements exist for US, French and German government bonds, and there are many investors and securities houses who would like to see a similar arrangement for UK government debt.

Those in favour of an open gilt repo market claim there

would be several advantages. Even with the existing arrangements, Gemms do sometimes face a shortage of certain kinds of stock. "Some-

times you want to borrow stock as a Gemm so you can go short, and it's hard to get anything other than benchmark issues," complains a dealer at one leading UK house, adding that an open repo system would improve gilt market liquidity.

With an open repo system, overseas investors who are significant holders of UK government bonds - would be encouraged to lend out their stock to enhance the return on their portfolios.

The pro-repo camp argues that an open repo system would entice a broader range of investors into the market.

For example, an investor who wants to buy gilts could finance his gilt purchases more cheaply by using the bonds as collateral and borrowing against them.

One Gemm calculates that an investor might be able to

reduce his borrowing cost quite considerably: he might, for example, pay 50 basis points over Libor to finance his position unsecured, but could reduce it to 10-15 basis points over Libor on a secured basis.

Those who are in favour of having a repo market argue that the inability to "repo-out" stock has deterred many investors, particularly those in the US who are accustomed to the freedom to "repo-out" their US treasury bond holdings.

If these investors could be wooed into the gilt market by the presence of a repo facility, they argue, it would encourage more investors to participate in the market, which in turn would mean lower borrowing costs for the government.

Not everyone agrees on this point. It is not entirely clear which investors have steered clear of gilts for this reason, given that the gilt market has shown a considerable rally over the last two years and produced bumper returns for investors.

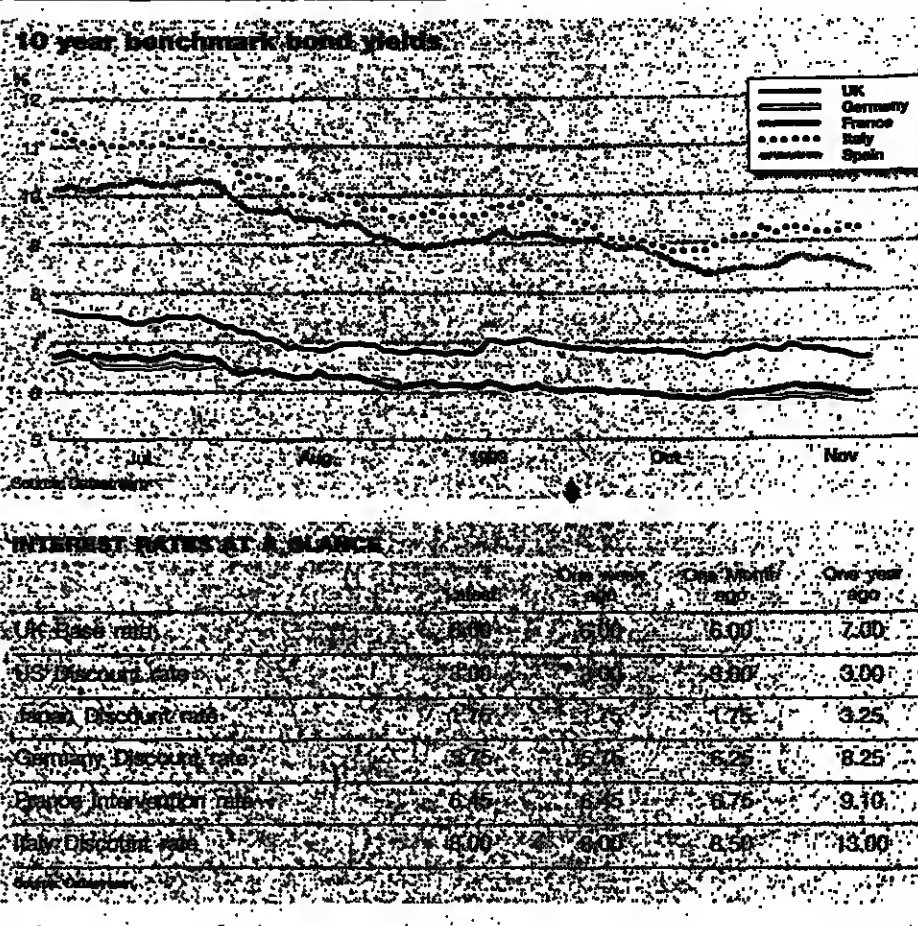
While the Bank recognises

the advantages of creating a deeper and more liquid market through an open repo system, there are obstacles which would need to be overcome.

Even its most ardent proponents will admit in private that repos have a chequered past and have acquired a rather "spivvy" reputation, thanks to several scandals, such as the Drysdale case in the US in the early 1980s.

Clearly, the Bank would want to be satisfied that the market was not open to abuse or disruptive behaviour. This raises the question of how best to regulate the market (whether through legislation or a code of conduct), and how to ensure that stock is not lent out several times over (in the latter case, the solution would be to simply place stock with an agreed third party).

"The regulatory and tax problems are not insurmountable: it's more a question of whether the Bank really wants to relinquish its hold over the secondary market in gilts," claims one gilt specialist.



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Liberty Life raised US\$134 million in its euro-equity offering October 1991

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sappi limited

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Financial adviser to Royal Corporation Limited

Del Monte

Del Monte Foods International Limited has been acquired by Royal Foods Limited for US\$1.4 billion December 1992

Financial adviser to Anglo American Corporation of South Africa Limited

Anglo American Corporation

transferred the major part of its international assets to Minorco Société Anonyme for US\$1.4 billion September 1993

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International / Antonia Sharpe

Germany considers long-dated sector

The Republic of Austria's successful DM2bn offering of 30-year Eurobonds last week, which prompted a flood of long-dated issuance by six German states, has raised the possibility that the German government could follow suit.

There is clearly strong demand for long-dated D-Mark bonds, especially outside Germany. International interest was such that Austria's issue was increased on Friday by DM500m from DM1.5bn.

Excluding Austria's offering, just over DM3bn worth of bonds with maturities of more than 10 years emerged last week, through a combination of 30-year bonds and 20-year bonds puttable after 10 years.

The sudden rush of long-dated paper and a perception that some issues were tightly priced has resulted in this new market reaching saturation point sooner than many syndicate managers had hoped.

However, they are confident the overhang of paper will be absorbed fairly quickly, which will enable other highly-rated

borrowers to raise long-term financing at the current low interest rates.

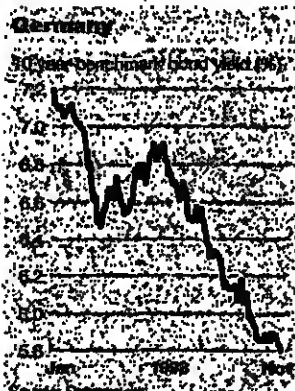
Deutsche Bundespost, Germany's post office which set up a DM2bn medium-term note programme last week, is expected to raise DM500m via a 30-year bond issue this week.

The bonds are likely to be priced to yield around 70 basis points over 10-year German government bonds (Germunds).

The pricing of 30-year D-Mark bonds is more an art than a science due to the lack of benchmarks beyond 10 years.

The yield spread on Austria's bonds was calculated by using the yield differential between 10-year and 30-year Dutch and French government bonds, a mechanism devised by JP Morgan, which it arranged a DM1.5bn offering of 15-year Eurobonds for L&B Baden-Württemberg Finance in August, the first offering with this maturity in the D-Mark sector.

So long as there is no 30-year bund, Austria's offering will be seen as the benchmark against



which future issues will be priced.

Syndicate managers hope it will not be long before the German government does so, since this would provide the liquidity and creditworthiness which most investors require.

The German government does have experience in this area. In 1986, Germany's low inflation rate prompted the government to issue two DM1bn offerings of 30-year

bonds.

They became illiquid as a change in market conditions dissuaded the government from issuing more long-dated paper and concentrate instead on issuing 10-year bonds.

The German finance ministry has declined to comment on whether the government will resume its issuance of bonds with maturities of more than 10 years.

The government is thought to be seriously considering the option but is put off by two main factors: uncertainty about how well the market could absorb large issues of 30-year bonds (a bund issue totals around DM10bn these days) and the lack of a relevant futures contract.

Nevertheless, the desire to conform could well encourage the German government to overlook these problems.

Italy has become the latest European sovereign borrower to issue 30-year debt and Spain will make its first issue of 15-year bonds in the domestic market in December.

NEW INTERNATIONAL BOND ISSUES															
Borrower	Amount (\$)	Maturity	Coupon %	Price	Yield %	Launch spread (bp)	Book runner	Borrower	Amount (\$)	Maturity	Coupon %	Price	Yield %	Launch spread (bp)	Book runner
US DOLLARS								CANADIAN DOLLARS							
Deutsche Bundespost	500	Dec 1997	7.125	100.00	-	-	Salomon Europe	Bank of Montreal	100	Dec 1998	7.50	100.00	-	-	Yarwood Bank
Deutsche Bundespost	500	Dec 1997	7.125	100.00	-	-	Salomon Europe	Bank of Montreal	100	Dec 1998	7.50	100.00	-	-	Yarwood Bank
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EQUITY MARKETS: This Week

NEW YORK

Patrick Harverson

Bank shares may suffer further fall

Although this will be a holiday-shortened week (the markets are shut on Thursday for Thanksgiving and will close at 1pm on Friday), investors and traders should have plenty to chew on over the next few days.

October durable goods data, due out on Wednesday, are expected to provide further evidence that economic activity is picking up. But the stock markets may not find much cheer in the numbers if, as in the past few weeks, the news unsettles inflation-sensitive bond investors and pushes long-term interest rates higher.

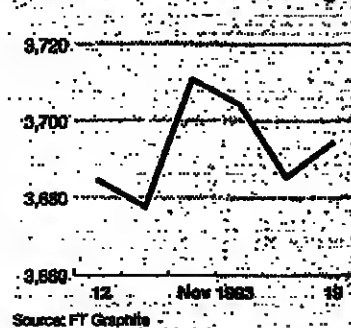
The steady rise in rates has put the brake on the long rally in bank stocks. One of the reasons the Federal Reserve cut interest rates between 1989 and 1992 was to bail out the ailing banking industry by providing banks with huge interest margins.

The rate cuts had the desired effect, but now, with rates rising, banks will have to wean themselves off their fat margins. Their earnings performance, which has been impressive recently, will undoubtedly suffer as a result. Bank stocks, which stumbled last week, could fall further before the week is over.

There is little corporate news due out, although the takeover battle for Paramount Communications will enter a new phase with the offers of rival bidders Viacom and QVC Network both due to expire this week.

Investors will also be keeping an eye on airline stocks in the light of the flight attendants' strike at American Airlines, which unions plan to extend into the busy Thanksgiving weekend, traditionally, the busiest travel period in the year.

Dow Jones Industrial Average



Source: FT Graphics

Stocks traded on the Nasdaq market are looking vulnerable at the moment. Nasdaq lists a lot of smaller-capitalised, growth-oriented companies, many in the technology, communications and healthcare sectors.

Their shares performed well when the economy was seen to be struggling, because investors liked their potential for earnings growth, but in recent months they have lagged the broader market.

Last week, while the Dow Jones Industrial Average and the Standard & Poor's 500 index held their own near record highs, the Nasdaq composite fell 3.56 per cent, and its performance over the year now lags behind the main indices.

With economic growth picking up pace, the tide of investment sentiment may be moving decisively against small-cap stocks in favour of the giants of the Dow and S&P. Finally, the market for initial public offerings is worth watching. Over the past fortnight the IPO market has seen a couple of big successes - most notably, the flotations of the restaurant chain Boston Chicken and the clothing retailer Talbots.

Both benefited from hype and heavy speculative buying, leading some observers to warn that the IPO market (and with it the secondary market) may be in danger of overheating.

Hopes of recovery face test

The focus of attention on the London stock market will swing back towards the corporate front this week as the pre-Budget equity account draws to a close and US markets close down for Thanksgiving Day.

Company results have yet to produce the signs of business recovery the stock market has been seeking throughout this year. But this week could prove a turning point.

The City's - and Downing Street's - hopes for a consumer-led economic recovery will be put to the test when Allied-Lyons, Northern Foods, Kwik Save and Tate & Lyle deliver their latest trading figures.

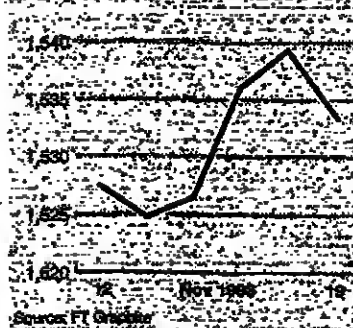
Overhauling the brewery and food sectors is the threat of changes in VAT or excise duties in the Budget which Mr Kenneth Clarke will deliver only days after the companies report profits, and just before the Christmas selling season.

Northern Foods, high quality, domestically-orientated and an important supplier to Marks & Spencer and other high street leaders, has paid the penalty for these characteristics by underperforming the stock market in the past 12 months. Any good news from Northern Foods will be welcome but the market is not enthusiastic, aiming for a rise of under 7 per cent to around £73m pre-tax.

From Allied-Lyons, a dull statement seems to be the best hope. The group is perceived as facing a tough business environment, retail margin pressures and nervousness over Mr Clarke's intentions for drink taxes.

But a straw in the wind may have been Whitbread's revelation last week that its profits were the prime boost to its profits expansion. The market's response to Allied-Lyons' statement

FT-SE All-Share Index



Source: FT Graphics

will set the pace for Grand Metropolitan, Guinness and the other leaders of the sector.

Tate and Lyle, the world's largest sugar company and a big player in the US, will offer valuable evidence on the progress of economic recovery across the Atlantic. UK investors might be behind the times here, since the shares were badly hit by a fairly cautious trading statement from the board last September. Market expectations of full-year profits are tightly bunched around £20m.

Analysts are looking for £125m - £128m from Kwik Save, the discount supermarket group. The shares have underperformed even the badly mauled food retailing sector recently, caught between price cutting initiatives of the leading chains and the exposure given to the new discounting groups. Analysts will be focusing on the growth in like-for-like sales and margins.

Prospective p/e ratio
The latest prospective p/e ratio for the "500" index for calendar 1993 is 16.0 according to IBES, the consensus estimates service (last week 16.1). This compares with an IBES estimated p/e for the "500" of 20.6 (20.7) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 19.87 (19.78).

OTHER MARKETS

TOKYO

Technical selling is feared in equities after the downward break through 16,000 in the Nikkei-225 on Friday. Dealer support is expected to be limited by the Labour Thanksgiving holiday tomorrow, and ahead of interim earnings from the banking sector on Thursday and Friday.

FRANKFURT

Autumn press conferences approach a nervous market from BASF on Monday, and Bayer on Thursday. Twelve days ago the third of the "Big Three" German chemical companies, Hoechst, saw profits down 40 per cent after nine months and a worse performance in the September quarter. Wednesday and Thursday bring conferences at Metallgesellschaft and Commerzbank, with hopes of a dividend rise at the latter.

PARIS

After rising French consumer expenditure in September, and in the third quarter of 1993, James Capel expects a decline of 0.3 per cent in October as an increase in social security contributions depresses disposable income.

ZURICH

November CPI figures for Basle and Geneva are due this week. Smith New Court expect falling Swiss rents will help to depress the indices to around 2.5 per cent from the 3.4 per cent recorded in October, providing further evidence of the improvement in the domestic economy.

A raft of press conferences include ABB and Merck on Tuesday; Nestlé is expected to give sales forecasts, and Alusuisse nine-month sales figures, at their autumn news conferences on Wednesday.

STOCKHOLM

Nine-month results from the ABB Asea Brown Boveri, Swedish/Swiss engineering combine are expected in Sweden and in Switzerland. Analysts expect ABB to report a slightly lower profit for the period, while forecasts for the full year remain reasonably positive, particularly in light of the economic situation prevailing in Europe.

RISK AND REWARD

Charging the right price for futures fund performance



Investors buy futures funds because they promise high returns. On the basis of those returns, fund managers charge fees which dwarf charges in most other areas of the fund management industry.

But are these fees really justified? A growing number of observers, and even some managers within the industry, think not. Certainly, the high level of fees has had a negative impact on the growth of the futures fund industry, by discouraging institutions from investing in such funds. Most investors are high net worth individuals, who may not look too closely at fees so long as returns are attractive. However, when their fund's performance is disappointing, fees frequently become an issue.

Standard fees for futures funds are 2 to 4 per cent for management, with performance fees of 15 to 25 per cent. The performance fees are charged on any profits, so even a return which only equals Treasury bill rates is stripped of this fee.

There are very few futures fund managers who consistently produce excellent returns for investors, says Nicola Madden of Tass Management, which tracks futures funds' performance. "[Those who do] have a strong case for justifying those levels, but for the industry as a whole I believe the fees are too high."

The timing of performance fees also causes some frustration. Some managers take fees every month, while others wait until the end of the year. The former, though, can earn performance fees even if their fund ends down on the year.

Most futures funds are multi-manager funds - that is, an overall manager divides assets between a group of futures fund managers, known in the jargon as CTAs or commodity trading advisers. If there are six trading advisers and two

make a profit, performance fees have to be paid to them even though the fund is down overall. However, some futures fund managers do not pass this charge on to investors.

So are there any signs of change? Fees have come down slightly in the past few years, and there is increasing pressure from the hedge fund market, where management fees are about 1-2 per cent. Hedge funds have performed well this year and are proving more successful in attracting institutional investors.

Futures funds have also had a good year. According to Tass, the average return for the year to the end of October was 15.37 per cent. But there is a large range in performance, with some funds down as much as 50 per cent and others up as much as 100 per cent.

"We only deserve to get paid if we perform," said Mr Robin Edwards, a managing director of Sabre Fund Management, whose funds are up some 20 per cent in the year to end-September. "There are people who don't perform. They don't last in the business."

He also points out that unit trusts in the UK charge relatively high fees (around 5 per cent up front, with a 1-1½ per cent annual management charge) often for doing no more than tracking an index. "If futures fund managers are serious about wanting to attract more institutional money, they will need to address the issue of fees."

"I don't see why anyone should be paid a performance fee if their performance is parity," says Mr David Moore, a director of Capital Lyonnais Roseur, which appoints external managers for its funds. "It would make sense if there were a threshold - such as the T-bill rate - below which there would be no performance fee."

Given that investors are taking a far greater risk by investing in futures funds than by putting their money in US Treasury bills, this only seems fair.

Tracy Corrigan

INDICES AT A GLANCE

	Closing price	Percentage Change	Over 12 months	Since Jan 1	High	Low	12 months	Since Jan 1	High	Low	12 months	Since Jan 1
FT-SE 100	3,105.0	+0.3	+14.8	+9.2	3,198.0	2,710.77	2,710.77	3,198.0	3,198.0	2,710.77	2,710.77	3,198.0
Dow Jones Ind.	3,694.01	+0.3	+15.1	+11.9	3,710.77	3,270.53	3,270.53	3,710.77	3,710.77	3,270.53	3,270.53	3,710.77
Nikkei	17,941.19	-3.0	+9.3	+7.8	17,941.19	16,287.45	16,287.45	17,941.19	17,941.19	16,287.45	16,287.45	17,941.19
Dax	2,077.57	+3.1	+33.9	+34.4	2,095.58	1,816.3	1,816.3	2,095.58	2,095.58	1,816.3	1,816.3	2,095.58
CAC 40	2,145.23	+2.3	+24.6	+15.5	2,231.86	1,974.77	1,974.77	2,231.86	2,231.86	1,974.77	1,974.77	2,231.86
Banca Com. Ital.	544.31	-0.4	+17.1	+21.9	632.46	308.93	308.93	632.46	632.46	308.93	308.93	632.46

VENTURE ECONOMICS

FT FINANCIAL TIMES CONFERENCES

VENTURE FORUM '93 EUROPE

London, 29 November- 1 December 1993

Venture Forum Europe '93, arranged by Venture Economics and the Financial Times, will provide a unique opportunity to meet those involved in raising capital, negotiating deals and building the businesses of the future.

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Causeway Capital LimitedJay T Applegate
Benedetto, Gartland &
Greene, IncJonathan Blake
SJ Berwin & CoGilles Cahen-Salvador
LBO FranceRonald Cohen
Apax Partners & Co LtdDr Neil Cross
3i Group plcMichael R Cumming
Barclays Development
Capital LimitedDr Evert A M Elbertse
Dutch Venture Capital
Association (NVP)Michiel A de Haan
Atlas VentureDr Richard Hargreaves
Baronsmead plcRon Hollidge
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AssociationWaldemar Jantz
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Management GmbH & Co KGBarbara B Lynch
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LEGAL NOTICES

No. 88727 of 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF THE
STRAIGHTEN INSURANCE COMPANY LIMITED

IN THE MATTER OF THE
COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that by an Order dated the 28th day of October 1993 made in the above matter the Court has directed a Meeting of the Scheme Creditors (as defined in the Scheme of Arrangement heretofore mentioned) of the above-named Company (hereinafter called "the Company") to be convened for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and its Scheme Creditors and the said Meeting will be held at Oldfield Hall, 9 Montague Place, London WC1E 6AH, on the 21st day of November 1993 at 11.30 am (which shall be a public holiday) and the said Meeting shall be held in accordance with the provisions of the Scheme of Arrangement proposed to be made between the Company and its Scheme Creditors and the said Meeting will be held at Oldfield Hall, 9 Montague Place, London WC1E 6AH, on the 21st day of November 1993 at 11.30 am (which shall be a public holiday) and the said Meeting shall 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COMPANIES AND FINANCE

Weak demand hits two Japanese audio makers

By Michio Nakamoto in Tokyo

Japan's audio makers were battered by a sluggish consumer spending and the sharp rise of the yen in the first half of 1993.

Pioneer, the specialist audio and laser disc maker, suffered an operating loss of ¥1.35bn, although foreign exchange gains helped it to report a pre-tax profit of ¥3.35bn.

Meanwhile, Kenwood, the specialist audio maker, reported a pre-tax loss of ¥2.46bn, hit by the rise of the yen and downturn in consumer spending. The company is passing its interim dividend.

Pioneer saw sales drop 16 per cent to ¥173.4bn, compared with ¥205.5bn previously, in the face of slow consumer spending in Japan and a decline in demand for its commercial use laser disc karaoke systems.

Sales of audio products in North America and Europe and of car audio product in Europe were particularly depressed, the company said.

However, Pioneer's gains from currency hedging helped it to avoid a pre-tax loss.

Kenwood saw falling demand in its audio and telecommunications business, which was particularly hard hit in Japan.

with a drop of 23 per cent.

Overall sales totalled ¥96.4bn, down 10 per cent from the ¥107.2bn made previously.

Pioneer is forecasting a 9 per cent decline in full-year sales to ¥349bn and a 55 per cent drop in pre-tax profits to ¥7bn. Kenwood expects full-year sales to fall to ¥204bn from ¥210.8bn and pre-tax profits to be ¥1bn, down from ¥4.0bn.

Strong demand for mobile phones helped Kyocera, the maker of semiconductor components and electronic parts, report a 1.9 per cent rise in sales in the first half.

Strong demand for electronic equipment from cellular phone companies helped that division push sales up 20 per cent.

In contrast, demand for fine ceramics, semiconductor devices and precision instruments fell in the face of the economic slump.

Overall sales came to ¥150.4bn but pre-tax profits were down 6 per cent to ¥17.4bn from ¥18.6bn.

Kyocera forecast full-year sales of ¥305bn, up 1.5 per cent from the previous year, and pre-tax profits of ¥35.4bn, down 7 per cent.

Yamaha profits 24.2% down at halfway mark

By William Dawkins in Tokyo

Yamaha, the world's largest producer of musical instruments, hit a discordant note, with first-half profits nearly a quarter down.

Pre-tax profits declined by 24.2 per cent to ¥2.93bn (\$27.4m) in the six months to September, a reflection of a saturated domestic market for pianos, sluggish consumer spending and the reduction in the yen value of export earnings caused by the Japanese currency's rise in value.

Yamaha posted a 53.7 per cent fall in profits for the year to last March which prompted a boardroom coup, after union

demands that management accept responsibility.

But the group's fortunes appear to have taken a dive since the end of the first half. It is making losses in the current half, on the basis of Yamaha's forecast of a taxable profit of ¥1bn for the full year to next March, nearly a third of the ¥2.8bn made last year, on sales of ¥200bn.

First-half sales this year fell 4.8 per cent to ¥172.14bn. Yamaha announced an unchanged interim dividend of ¥3 a share, more than twice covered by per-share earnings of ¥6.31, down from ¥8.89 a share in the same period of last year.

Paramount poison pill decision likely today

By Patrick Harverson in New York

A US court is expected to rule today on the legality of the "poison pill" provisions in the \$9.7bn merger agreement between Paramount Communications and Viacom.

QVC Network, a home shopping channel which has made a rival \$10.6bn bid for Paramount, has asked the Delaware Chancery Court to throw out the provisions, which are designed to make it prohibitively expensive for QVC to buy Paramount if the agreed merger with Viacom collapses.

The court can throw out the poison pill provisions if it rules that the merger agreement between Paramount and Viacom is not a strategic alliance, as the two companies contend, but a straightforward sale of Paramount to Viacom.

QVC argues that if Paramount is up for sale, it should be sold to the highest bidder. In a separate move, QVC sent a letter over the weekend to the Paramount board claiming that it had obtained the financing for its \$10.6bn offer, and asking the board to begin negotiations.

The Paramount board had previously rejected QVC's higher offer on the grounds that it was conditional upon QVC obtaining \$3bn in bank loans.

Wall Street analysts, however, believe that Viacom will triumph in the battle for Paramount.

Late last week, Paramount's shares fell on the New York Stock Exchange as investors anticipated that the Delaware court would reject QVC's call to throw out the poison pill provisions in the Viacom-Paramount agreement.

Analysts believe QVC's only chance of success is to significantly raise its own bid.

Lee Iacocca, former Chrysler chairman, sold another \$31m worth of Chrysler stock last month, according to documents filed with the Securities and Exchange Commission.

Morgan Stanley looks again at China

By Antonia Sharpe

Morgan Stanley's decision last week to tone down its bullish stance towards China has taken the shine off Hong Kong's dazzling stock market.

Hong Kong has been propelled to record highs this year by a huge inflow of funds from international investors seeking an exposure to China's booming economy.

Since China's stock exchanges are still at an early stage in their development, Hong Kong's liquid stock market is widely regarded as a proxy for China.

The Hang Seng Index, the barometer of the Hong Kong stock market, reached a record high of 9,733.34 on Monday last week but by Friday it stood 4.8 per cent lower at 9,263.94, mainly in response to Morgan Stanley's shift in strategy.

Morgan Stanley's decision to

reduce its exposure to Hong Kong comes a little over one month after Mr Barton Biggs, its emerging markets strategist, returned from China, saying: "After eight days in China I'm tired, overfed and maximum bullish."

In addition, Morgan Stanley actively promoted its positive stance towards China last month when it arranged a series of international convertible bond issues for Chinese companies.

Last week, Mr Biggs cut Hong Kong's weighting in his emerging markets model portfolio from 16 per cent to 10 per cent. In a research document entitled "Hong Kong: Pausing for Breath", Mr Biggs wrote: "Momentum investing is great stuff, but the craziness content in the magic of China is beginning to look like a bubble and smell like a tulip."

"To mix metaphors still fur-

ther," he continued, "taking a third of our chips off the table while the game is still wild and woolly seems sensible."

Mr David Roche, Morgan Stanley's global strategist, said yesterday that Hong Kong had lost some of its attraction following its recent run.

But although he had cut Hong Kong's weighting from 7.2 per cent to 5 per cent in his global equity model portfolio, he was still left with a heavily overweight position towards Hong Kong.

He noted that Hong Kong's new weighting in the global portfolio was 10 times its benchmark weighting of 0.5 per cent based on gross domestic product, and more than double its benchmark weighting of 2 per cent in the Morgan Stanley Capital Index.

Mr Roche gave two further reasons: the likelihood of a mass repatriation of US funds

as the US economy picks up, and a danger that China's economy could be badly damaged by a power struggle within China's leadership over economic policy.

"I am less convinced about the low-growth theory in the US," he said. In his view, the US economy will be much stronger than the consensus economic forecast and that this will create demand for capital in the US.

He noted that there had been a huge outflow of funds from the US to other markets, around \$100bn on an annualised basis, because US interest rates were low and the dollar was weak. "But this trend will reverse with a vengeance as the economy recovers and interest rates rise," Mr Roche said.

Turning to China, Mr Roche said the recent structural reform package was a "policy

fudge which is indicative of a power struggle". In addition, signs of backtracking on China's austerity programme suggested that Beijing had yielded to the coastal regions' desire for fast-paced economic growth.

Mr Roche said that as a result, there was an increased risk of a hard landing for China's economy, that power in China would be decentralised, and that wealth differentials would widen further.

"All these could lead to political instability," Mr Roche said.

Nevertheless, Morgan Stanley believes in China's long-term potential. "I still believe that China is the premier growth and investment story in the world... and that some day China will 'experience' the mother of all bull markets," Mr Biggs wrote.

George Weston has strong third quarter

By Robert Gibbons in Montreal

George Weston, the Weston family holding company controlling Loblaw, Canada's biggest grocery operation, as well as pulp and paper interests, posted third-quarter net profit of \$321.2m or 45 cents a share, up almost 50 per cent from \$214.2m or 27 cents a share earlier. Sales rose 5 per cent to \$3.55bn.

The profit comparison was distorted by a \$121m special charge in the 1992 period, when Loblaw and Weston Foods, a large processing unit, contributed higher sales and earnings.

Revenues at the Weston Resources' businesses were up 25 per cent to \$3.285m, due to an acquisition and strong timber markets, but profit dipped to \$319.9m from \$317.6m because of sharply lower results from the fisheries unit.

Weston's overall nine-month profit was \$950.5m or \$21.06 a share, up from \$824.1m or 30 cents, on revenues of \$30.06bn, against \$28.57bn.

Nova Corp is selling its fully-owned Novalta Resources natural gas production unit to Seagull Energy, of Houston, for \$327.5m cash. It will book a \$312m gain on the sale.

Klöckner-Humboldt-Deutz predicts break-even for year

By Ariane Genillard in Bonn

Klöckner-Humboldt-Deutz, the German diesel engine and industrial plant manufacturer, expects to break even in 1993 despite poor results in the first half of the year.

The company said that for the full year, turnover would fall by 10 per cent to DM3.3bn (\$1.95bn). In 1992 its turnover was DM3.7bn and it then broke even on a pre-tax basis.

Mr Werner Kirchgeser, the chief executive, said the company would again break even

this year because of its cost-savings programme and a pick-up in business at its industrial plants divisions.

KHD said it had saved "hundreds of millions of D-Marks" by reducing its workforce and raising productivity. The company said it would continue to slim down by laying off 800 employees by the end of 1993 from its current workforce of 11,000. In 1992, the company reduced its payroll by over 2,000 employees. KHD also said it had significantly reduced material costs.

It added that while the motors and agricultural machinery divisions were suffering from the general slowdown in domestic and international markets, business was picking up in the industrial plants side.

Turnover in that division is expected to reach over DM1.8bn for the year, over a third of KHD's total sales. It said this would greatly improve the overall turnover, which dropped by 21 per cent in the first six months of the year.

Schindler rejigs Jardine venture

By Ian Rodger in Lucerne

Schindler, the world's second largest elevator group, is taking control of its Asian sales and servicing businesses after reorganising a series of joint ventures with Jardine Pacific.

A new venture, Jardine-Schindler Holdings, owned equally by the two partners, with Schindler having a call option... to raise its holding to majority status,

said in an interview. Since 1974, Jardine has had a 60 per cent stake in its ventures with Schindler. Early last year, Schindler publicised its frustration with this arrangement, which it felt was inhibiting its development in the world's fastest growing markets.

"We cannot afford to invest a lot if we do not have a real joint venture where we can manage our own business," Mr Alfred Schindler, chairman,

the group said a cash sum to Jardine and expected to exercise its option to take control of the new venture in two to five years.

As part of the new arrangements, the Jardine-Schindler venture loses its exclusive rights to represent Schindler in China, where the Swiss group has two joint ventures with local partners.

David Jones may be sold or floated

By Nikk Tait in Sydney

David Jones, the upmarket Australian department store business owned by the troubled Adelaide Steamship group, could be floated or sold, according to its parent.

Adsteam also told shareholders at its annual meeting the price for the retail interests "must reflect the real and potential value of such a flagship business", and gave no hint on the timing for such a move.

There has been speculation that there might be a sale in 1994-95, and that a float of the department stores could raise around A\$600m (US\$396.7m). Adsteam has already disposed of its other major retail interest, in Woolworths, via a multi-billion dollar flotation.

Meanwhile, Adsteam is selling the core business of its Metro Meat unit to CITIC Australia for an undisclosed amount. The deal, subject to Foreign Investment Review Board approval, should close in early 1994, and be close to book value. CITIC is the Australian investment vehicle for Beijing-controlled China International Trust and Investment Corp.

This advertisement is issued in compliance with the requirements of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The London Stock Exchange"). It does not constitute an invitation to the public to subscribe for, or purchase, any securities. Application has been made to The London Stock Exchange for the grant of permission to deal in the United Kingdom Market in the new ordinary shares and warrants of the Company to be adopted to listing. It is expected that dealings in the ordinary shares and warrants of the Company will commence on 7th December, 1993.

Harmony Leisure Group PLC
to be renamed
HARMONY PROPERTY GROUP PLC
(Registered in England No. 792165)

Placing
by
Guinness Mahon & Co. Limited
of
66,000,000 new ordinary shares of 5p each
at 9½ p per share
and
Issue of Warrants
(on a 1 for 5 basis)
to subscribe for up to 18,337,130
new ordinary shares of 5p each
at 15p per share
Share capital following the Placing
£11,500,000 in ordinary shares of 5p each
Interest and to be issued fully paid £2,584,220

The principal activities of the Company are property investment and dealing and the management of restaurants, public houses and hotels.

Particulars relating to the Company have been approved by The London Stock Exchange and are available during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office, London Stock Exchange Tower, Capital Court Building, 25 Abchurch Lane, London EC4N 3HP, by collection only up to and including 23rd November, 1993, and during normal business hours (including Saturdays), up to and including 7th December 1993.

Georg Hildt & Co. Limited
of White Street
LONDON
EC2A 2BL
Guinness Mahon & Co. Limited
37 St. Mary's Hill
LONDON
EC2P 3AJ
and as the registered office of the Company in England:
15 Poplar Street, Docklands, LONDON E14 6EP

22nd November, 1993

Notice of Partial Redemption
ANSETT AIRCRAFT FINANCE LTD
USD 185,000,000
Floating Rate Notes due 2001

Notice is hereby given that pursuant to paragraph 6.1(i) "Mandatory Redemption by the Issuer in Part by Certain Interest Payment Dates" of the Terms and Conditions of Notes, the following Bonds in the principal amount of USD 10,416,000 have been drawn by lot and are due for redemption at 100% plus accrued interest at the offices of the principal paying agent on the interest payment date 28th December, 1993:

No. 0089 to No. 0179 included and
No. 4144 to No. 4333 included
Interest will cease on the Bonds called for redemption on and after the Redemption Date.
Payment will be made upon presentation and surrender of the Bonds, together with all appurtenant coupons maturing subsequent to the Redemption Date.
The nominal amount remaining in circulation after 28th December, 1993 amounts to USD 164,584,000.

The Fiscal Agent
Banque Paribas de Paris
(Luxembourg) S.A.

WOOLWICH Building Society
£100,000,000
Floating rate notes
due 1994

Notice is hereby given that the notes will bear interest at 5.6375% per annum from 18 November 1993 to 18 February 1994. Interest payable on 18 February 1994 will amount to £143.36 per £100,000 note, £1,433.56 per £1,000,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

This advertisement is issued in compliance with the Regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The London Stock Exchange") and does not constitute an invitation to the public to subscribe for or purchase any shares.

Application has been made to the London Stock Exchange for admission to the Official List of the whole of the existing Ordinary Shares Issued and to be issued under pursuant to the placing of Biotrace International PLC. It is expected that dealings will commence on 25 November 1993.

BIOTRACE®
BIOTRACE INTERNATIONAL PLC
(Incorporated in England and Wales under the Companies Act 1985 No 2858626)

Placing by
Allied Provincial Securities Limited
of
7,153,500 Ordinary Shares of 10p each at 130p per share

Authorised
£5,000,000
in 50,000,000 Ordinary Shares of 10p each
Issued and to be issued fully paid
£3,080,402

The principal activity of the Group is the development, manufacture and marketing of a range of instruments and reagent kits.

Listing particulars are available for collection during normal business hours from 22 November 1993 up to and including 24 November 1993 from the Company Announcements Office, the London Stock Exchange, Capital Court Entrance, off Bartholomew Lane, London EC2N 1HP and on any weekday from 3.00 pm on 22 November 1993 up to and including 6 December 1993 from:

Biotrace International Plc
The Science Park
Bridgend
CF31 3NA
Allied Provincial Corporate Services
Beaufort House
94/96 Newhall Street
Birmingham B3 1PE
Allied Provincial Securities Limited
Westgate House
Womanby Street
Cardiff CF1 2UD

22 November 1993

NOTICE OF NAME CHANGE OF GUARANTOR
CSFB FINANCE B.V.
US\$300,000,000 Guaranteed and Subordinated
Floating Rate Notes Due 2003

US\$200,000,000 Guaranteed Subordinated
Floating Rate Notes Due August 2003

Guaranteed on a subordinated basis by
CS First Boston Group, Inc. (the "Guarantor")

NOTICE IS HEREBY GIVEN, pursuant to Condition 16 of the Terms and Conditions of the above Notes, that the name of the Guarantor has been changed as of October 22, 1993 to CS First Boston, Inc.

Dated: November 24, 1993
CS FIRST BOSTON, INC.

National & Provincial Building Society
Issue of up to £200,000,000
Floating Rate Notes 1999

Notice is hereby given for the three months 17th November, 1993 to 17th February, 1994 the Notes will carry an interest rate of 5½% per annum with a coupon amount of £144.93 per £100,000 Note and £1,449.32 per £1,000,000 Note payable on 17th February, 1994.

Bankers/Trust Company, London Agent Bank

C&G Cheolam & Co. Ltd
Building Society
£175,000,000
Floating Rate Notes due 1996

Interim notice with the provisions of the Notes is hereby given that the Rate of Interest for the three months period ending 17th February, 1994 has been fixed at 5.75% per annum. The interest accruing for each three months period will be £140.625 per £100,000 Note, and £1,406.25 per £1,000,000 Note, on 17th February, 1994 against presentation of Coupon No. 2.

Union Bank of Switzerland
London Branch Agent Bank
17th November, 1993

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QUILMES INDUSTRIAL S.A. (QUINSA)
Luxembourg Holding Company

The board of directors' meeting of November 17, 1993 held under the Chairmanship of Mr. André de Gansy decided to convene an Extraordinary General Meeting of the shareholders of QUILMES INDUSTRIAL S.A. The Extraordinary General Meeting, to be held in Luxembourg on Friday, December 10, 1993 shall vote upon a proposed stock split giving 50 new shares for one old share held as of December 31, 1993 (quoted share). If approved by the shareholders, the first trading day of the new shares shall be January 3, 1994.

The first quotation of QUILMES INDUSTRIAL's shares on July 12, 1991 was US\$20. Presently, the shares trade on the Luxembourg Stock Exchange at prices above US\$300 which is a total market value of more than US\$1 billion.

The Board of Directors

JP 1100 150

CANADA

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PHILIPPINES							
Merita Corp (PHS)	2462.00	2444.10	2471.31	2487.01	2457.50 (91T)	2270.00 (4T)	
SINGAPORE							
SES-8i-Singapore (247R)	547.85	544.50	546.58	541.76	504.55 (11T)	504.10 (13T)	
SOUTH AFRICA							
JEF Ltd (245R)	1805.00	1821.00	1810.00	1749.00	2008.00 (200T)	775.00 (50T)	
SAFRI (245R)	4907.00	4950.00	4707.00	4585.00		4350.00 (18T)	
SOUTH KOREA**							
Daewoo Corp. (K10R)	804.35	822.81	811.17	802.85	804.35 (11T)	865.92 (11T)	
SPAIN							
Industria de Gas (paris00)	304.30	305.10	305.85	302.95	303.30 (297R)	275.00 (41T)	
SWEDEN							
Almabanken AB (L25R)	1200.00	1300.00	1260.17	1200.00	1430.10 (41T)	870.00 (20T)	
SWITZERLAND							
Bank Leu (245R)	1185.00	1174.00	1170.00	1175.00	1165.50 (197R)	910.50 (19T)	
SBC Industrie (140R)	315.64	325.76	301.22	293.20	302.84 (197R)	290.20 (14T)	
TAIWAN**							
Winglung Pail (100R)	4220.32	4316.21	4008.91	4051.20	5013.20 (70T)	3306.45 (14T)	
THAILAND							
Bank of Commerce SET (246R/7R)	1399.57	1371.72	1301.43	1260.77	1300.04 (120T)	810.04 (10T)	
WORLD							
M.C. Capital Inc (100R)	830.27	824.40	850.50	830.70	807.12 (137R)	480.00 (10T)	
Empire Trust (246R/7R)	1145.32	1168.25	1151.45	1174.15	1176.00 (250R)	862.73 (33R)	

Active Stocks

November 19, 1983

Stocks Traded	Closing Prices	Change on day
Nippon Vap Lead.	\$2.06	+0.14
Panva Convent Corp	2.06	+0.09
Washita Steel	2.46	-0.04
Mitsubishi Heavy	2.46	0.04
Hesselt	2.86	-0.11

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1. 1950年10月1日，在北京市政府成立大会上，毛泽东主席在致词中，第一次提出“百花齐放，百家争鸣”的方针。

1. 凡在本市行政区域内从事生产经营活动的法人和其他组织，均应当依法缴纳城市维护建设税。

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BERMUDA (SIB RECOGNISED)

Int'l Charge	Cash Price	Std Price	Offer Price	Yield C	Yield L
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CANADA (SIB RECOGNISED)

1981 Range	Cost Price	1982 Price	1983 Price	Yield of Grain, lb
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GUERNSEY (SIB RECOGNISED)

	Int'l Cargo	Cargo Price	Int'l Freight	Other Fares	Yield Cntr S/R's Lb
1990-1991	100	100	100	100	100
1992-1993	100	100	100	100	100
1994-1995	100	100	100	100	100
1996-1997	100	100	100	100	100
1998-1999	100	100	100	100	100
2000-2001	100	100	100	100	100
2002-2003	100	100	100	100	100
2004-2005	100	100	100	100	100
2006-2007	100	100	100	100	100
2008-2009	100	100	100	100	100
2010-2011	100	100	100	100	100
2012-2013	100	100	100	100	100
2014-2015	100	100	100	100	100
2016-2017	100	100	100	100	100
2018-2019	100	100	100	100	100
2020-2021	100	100	100	100	100
2022-2023	100	100	100	100	100
2024-2025	100	100	100	100	100
2026-2027	100	100	100	100	100
2028-2029	100	100	100	100	100
2030-2031	100	100	100	100	100
2032-2033	100	100	100	100	100
2034-2035	100	100	100	100	100
2036-2037	100	100	100	100	100
2038-2039	100	100	100	100	100
2040-2041	100	100	100	100	100
2042-2043	100	100	100	100	100
2044-2045	100	100	100	100	100
2046-2047	100	100	100	100	100
2048-2049	100	100	100	100	100
2050-2051	100	100	100	100	100
2052-2053	100	100	100	100	100
2054-2055	100	100	100	100	100
2056-2057	100	100	100	100	100
2058-2059	100	100	100	100	100
2060-2061	100	100	100	100	100
2062-2063	100	100	100	100	100
2064-2065	100	100	100	100	100
2066-2067	100	100	100	100	100
2068-2069	100	100	100	100	100
2070-2071	100	100	100	100	100
2072-2073	100	100	100	100	100
2074-2075	100	100	100	100	100
2076-2077	100	100	100	100	100
2078-2079	100	100	100	100	100
2080-2081	100	100	100	100	100
2082-2083	100	100	100	100	100
2084-2085	100	100	100	100	100
2086-2087	100	100	100	100	100
2088-2089	100	100	100	100	100
2090-2091	100	100	100	100	100
2092-2093	100	100	100	100	100
2094-2095	100	100	100	100	100
2096-2097	100	100	100	100	100
2098-2099	100	100	100	100	100
2100-2101	100	100	100	100	100
2102-2103	100	100	100	100	100
2104-2105	100	100	100	100	100
2106-2107	100	100	100	100	100
2108-2109	100	100	100	100	100

IRELAND (REGULATED)()**

	Net Price	Unit Price	Total Price
1000	1000	1000	1000
2000	2000	2000	2000
3000	3000	3000	3000
4000	4000	4000	4000
5000	5000	5000	5000
6000	6000	6000	6000
7000	7000	7000	7000
8000	8000	8000	8000
9000	9000	9000	9000
10000	10000	10000	10000

JERSEY (SIB RECOGNISED)

AMR Fixed Management (FC) Ltd

IRELAND (REGULATED)()**

	Net Price	Unit Price	Total Gross
Net Price of Minimums (per unit) (1)			

JERSEY (SIB RECOGNISED)

AMR Fixed Management (FC) Ltd

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<p>Midland Bank Fund Managers (Jersey) Ltd 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927</p>

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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FT GUIDE TO THE WEEK

22
MONDAY

Bosnia peace plan

Western European Union foreign and defence ministers will discuss in Luxembourg the Franco-German initiative to end the Bosnian war by gradually lifting sanctions against Serbia in return for land for the Muslims.

As winter begins to bite in the Balkans, the plan marks the first evidence of a shift in European tactics away from isolation of Serbia and more toward incentives for President Slobodan Milosevic to end the war.

Moscow: German Chancellor Helmut Kohl calls on President Boris Yeltsin on his way back from his trade-boasting trip to China. On the agenda are economic co-operation and support for Russia's reform process. They may also discuss the looming elections in both countries.

Cape Town: Parliament resumes for the last session of white-dominated legislature amid continuing efforts from the ANC and government to persuade the white right wing and the Inkatha Freedom Party to accept the draft constitution agreed last week.

Paris: Israeli and Palestinian economic chiefs hold talks on economic relations, in particular an Israeli proposal for a customs union. The Palestinians want greater economic sovereignty than Israel expected and intend to lay the foundations of an independent Palestinian state.

London: The Scott inquiry into the illegal export of arms to Iraq resumes its public hearings following a two week adjournment.

Lord Justice Scott is probing the extent to which ministers breached their own guidelines restricting defence exports to Iraq in the 1980s, whether or not parliament was misled, and if a conspiracy lay behind the controversial trial last year of three UK businessmen employed by the machine tool maker Matrix-Churchill.

Korean missile crisis

However much US president Bill Clinton may wish to emulate President J.F. Kennedy (left), who was assassinated 30 years ago today while on an official visit to Dallas, he can hardly want a Cuban-style missile crisis for himself or the world. Clinton has stated "North Korea cannot be allowed to build a nuclear bomb". He meets the South Korean president to discuss the crisis tomorrow.

23
TUESDAY

EU work time directive

A meeting in Brussels of the EU social affairs council (employment and labour ministers) will pass the controversial working time directive. Britain has won a seven-year delay on implementing the 48-hour limit on the working week, but much else - such as statutory holidays and controls on night work - will become law within three years unless the UK government succeeds in its legal challenge to the directive.

Washington: President Clinton meets South Korean President Kim Young Sam to discuss the North Korean nuclear issue. The two leaders may offer to cancel Team Spirit, their biggest annual military exercise. In return for the North allowing routine international inspections of its nuclear facilities and resuming dialogue with the South.

The North recently proposed that Pyongyang and Washington make simultaneous concessions, such as US recognising the North in return for the acceptance of complete nuclear inspections.

Osaka: The Organisation of Petroleum Exporting Countries meets in Vienna against the familiar background of weak oil prices. Some analysts believe a cut in output may be needed to halt the price slide. Benchmark Brent Blend has been trading at about \$15.14 a barrel; the Opec target price is \$21 a barrel.

Gatt: Sir Leon Brittan, EU Trade Commissioner, holds bilateral talks in Washington with Mr Mickey Kantor, US Trade Representative, aimed at settling Uruguay round disagreements over tariff cuts, farm trade, anti-dumping rules and financial services.

Bonn: The Bundestag, the lower chamber of the German parliament, begins the annual Budget debate (to Nov 25). The plan includes a savings package aimed at cutting social spending and keeping the deficit below DM70bn next year.

John Major, UK prime minister, faces John Smith, leader of the opposition Labour party, in the first question time of the new parliamentary session, which takes place on the third anniversary of Major's assuming the top job in British politics.

The Institute of Directors, Britain's bosses' club, holds its annual dinner this evening. The guest speaker is Michael Heseltine, secretary of state for trade and industry.

24
WEDNESDAY

In the wake of da Gama

Some 496 years ago Vasco da Gama, the Portuguese navigator, became the first to round the Cape of Good Hope to open up a trade route to India. In Geneva his latter-day counterparts resume negotiations open up world markets through a Gatt trade deal (to Nov 25).

These will be the first multilateral talks since the US Congress approved plans for Nafta last week, a vote which trade officials hope will give the Gatt talks vital momentum. Teams will focus on procurement and market access in an effort to surmount barriers to a Uruguay round agreement.

Brussels: The European Commission discusses Jacques Delors' white paper on growth, competitiveness and employment. It is likely to be the first time the commissioners have seen a complete draft of the paper which has been in preparation for months. The paper is due to be presented to the summit of EU leaders in Brussels on December 10 and 11.

Düsseldorf: The defence begins its closing arguments at the trial of the former East German spy master Markus Wolf. The prosecution has asked for a seven-year sentence.

Philip Morris, the US tobacco group, is holding a board meeting to consider a number of restructuring plans aimed at cutting its cost base.

The company has already warned shareholders and analysts that it will take a "significant" charge against its fourth-quarter earnings to pay for any cost-reduction measures.

Whisky to go: The last 14 bottles of whisky salvaged from the wreck of the SS Politician, the ship loaded with whisky for export which sank off the island of Barra in the outer Hebrides in 1941 and inspired the book and film Whisky Galore, are to be auctioned at Christie's in Glasgow.

Football: Europe's most prestigious club competition reaches its serious stage as the eight remaining clubs begin play in the European Champions' League. In group A Monaco entertain Spartak Moscow and Galatasaray of Turkey are at home to Barcelona. In group B AC Milan visit Anderlecht of Belgium and Werder Bremen go to Porto of Portugal.

In the UEFA cup, Norwich City play host to Italy's Inter Milan.

FT survey: The Basque Country. Recession is taking its toll on the heavy industrial base of the autonomous region in north-western Spain.

25
THURSDAY

Middle East peace moves

Yassir Arafat, chairman of the Palestine Liberation Organisation, begins a tour of Norway, Sweden, Denmark and Finland. Secret talks in Norway arranged by the Norwegian foreign minister, Joergen Holt, helped bring about the peace breakthrough.

Negotiators continue talks in Cairo to hammer out an agreement on Israel's partial military withdrawal from the occupied Gaza Strip and the Jericho area of the West Bank. Agreement must be reached by December 13 to allow the signing of a protocol under the Israeli-Palestinian peace accord signed in Washington in September.

Meanwhile, rumours persist of contacts between Israel and Syria.

Bonn: UK prime minister John Major flies to Bonn with a full team for the 22nd annual Anglo-German summit, hosted by Chancellor Helmut Kohl. Talks will range from the outlook for the European Union after Maastricht, through the enlargement of Nato, to such topics as tactics for a successful conclusion of the Gatt negotiations.

Trade talks: Peter Sutherland, Gatt director general, meets heads of delegations in Geneva to assess progress towards a Uruguay round agreement. The OECD has estimated that a successful conclusion to the round could boost world trade by \$270bn.

Spain: Nationwide trade union demonstrations are planned against government plans to freeze state employee wages and to deregulate rigid labour legislation. The strikes come in a week when government figures are likely to show the unemployment rate reached 23 per cent in the third quarter.

Japanese banks

Interim results today and tomorrow. In the wake of the recent collapse of Muramoto Construction, the biggest financial failure in Japan since the war, the banks' debt write-offs will give a clue to the health of banking system - though the figures will not yet include the direct impact of Muramoto. A poor showing could nudge the ailing Nikkei lower.

FT survey: Belgian Banking and Finance. Belgium has long been home to the European Union's political institutions, but has the country's financial sector got what it takes to survive and prosper in the single market the EU has created?

26
FRIDAY

Czech privatisation delay

Few state enterprises look likely to meet the end-of-November deadline for presenting accounts so that potential investors can choose how to invest their coupons. As companies also have to draw up end-of-year accounts, many wish to avoid two sets of accounts' bills.

The delay will probably put back the first round of privatisation from February 1 1994 to March 1.

Belgium: Unions have called for nationwide strikes against the government's austerity programme.

Ankara: Senior Turkish and Iranian security officials meet to discuss co-operation on border security.

Sofia: Irish president Mary Robinson is to receive the Freedom Prize at the Liberal World conference in recognition for her efforts to bridge the sectarian divide in Ireland.

27-28
WEEKEND

Honduras goes to the polls

The country is holding presidential, parliamentary and municipal elections on Sunday. Opinion polls give Carlos Reina of the centrist Liberal Party a slight lead in a bitter presidential campaign over Oswaldo Ramos on the right of the right-wing National Party of President Rafael Callejas.

England vs All Blacks: The New Zealand touring side, following their record win against Scotland last week, take on England in the rugby union international at the Twickenham ground in London on Saturday.

NEXT WEEK

UK Budget on Tuesday November 30. The first unified Budget and the first for chancellor Kenneth Clarke.

Compiled by Patrick Seles.
Fax: (+44) (0)171 873 3194.

Statistics to be released this week

Country	Economic Statistic	Day Released	Previous Actual	Median Forecast
UK	CBI industrial trends	Fri 26	-	-
US	Oct Durable goods orders	Wed 24	0.7%	1.8%
	Auto sales Nov 11 - 20	Wed 24	7m units	7m units
	Truck Sales Nov 11 - 20	Wed 24	5.4m units	5.2m units
	Weekly Money supply M1	Fri 26	\$10.9bn	\$11bn
	Oct Bank credit	Fri 26	4.3%	-
Japan	Sep leading indicators	Mon 22	50 %	-
	October inflation	Fri 26	1.2%	1.2%
	Oct Retail sales	Fri 26	-3.7%	-3.8%
Germany	Oct Money Sup M3	Mon 22	6.8%	6.7%
During this week...				
Germany	Oct producer price index		-0.5%	-0.3%
	Nov prelim cost of living		3.9%	3.7%
	Oct Import prices		-1.5%	-3.5
	Ifo business climate		87.7%	-
Spain	C3 unemployment		22.3%	23%
Italy	Sep wholesale price index		8.5%	-
	Oct money supply		7.8%	7.7%
Belgium	Nov inflation		2.7%	2.6%
Denmark	Oct inflation		1.2%	1.5%
Canada	Sep earnings		1.7%	1.5%

Important inflation data in Germany this week will affect the market's perception of how quickly and how soon the Bundesbank is likely to lower its lending rates.

Attention today will focus on the October M3 growth rate with many believing it will fall within the 4.5-6.5 per cent target range for the first time this year. The consensus forecast suggests M3 in October will rise by 6.7 per cent.

Later in the week, the Federal Statistics Office releases the preliminary cost of living index for November. In the year to October, cost of living inflation was 3.9 per cent, its lowest since June. Analysts expect the index to have risen 3.7 per cent in the year to November.

The last week before the Budget in the UK brings few economic statistics, but the Confederation of British Industry releases its November industrial trends survey on Friday. It will give a clue as to whether or not the UK is enjoying a non-inflationary recovery with strong exports. On Thursday, the CBI produces its forecasts and recommendations for the Budget.

In Spain, third-quarter unemployment is forecast to be about 23 per cent. This measure comes from a quarterly survey based on a rather loose definition of unemployment. A poor figure will probably boost the bond market in the expectation that pressure will increase for lower interest rates.

Emma Tucker

POLITICAL DIARY



BRUSSELS



WASHINGTON



TOKYO



LONDON

Monday: EU economics and finance ministers are likely to agree to expand the growth initiative by making loans from the European Investment Bank more readily available. They will also formally approve Alexandre Lamfalussy as head of the European Monetary Institute.

Fisheries ministers meet for their annual price-setting session.

Tuesday: Social affairs ministers look at commissioner Padraig Flynn's green paper on social policy.

Thursday: EU president Jacques Delors and Hans van den Broek, commissioner for external affairs, meet Shimon Peres, Israeli foreign minister to discuss Middle East peace. The EU has pledged \$35m aid for the West Bank to help smooth the deal.

Friday: Belgian unions are threatening a general strike, in protest against the government's austerity plan.

Monday: Leon Brittan, EU Trade Commissioner, arrives for talks with Mickey Kantor, US trade representative, on Gatt.

President Fidel Ramos of the Philippines visits the White House for talks with President Clinton on economic and security issues.

The House of Representatives debates the Penny-Kasich to reduce federal spending by \$100bn over the next five years.

Tuesday: The House of Representatives adjourns until January. The US Senate will also adjourn until January later this week, but no definite date has been set.

Thursday: President Bill Clinton, the Nafta deal under his belt, will retreat with first lady Hillary Rodham Clinton on a daughter Chelsea to eat turkey at Camp David over the Thanksgiving holiday. US financial markets and most businesses will be closed.

Monday: Official figures for Household Spending and the index of leading indicators for September due to be published by the Economic Planning Agency will shed light on the depth of the downturn in the Japanese economy.

Tuesday: National holiday to celebrate Thanksgiving. **Wednesday:** Mongolian prime minister Punsagijn Jasrai arrives for a five-day visit. He holds talks with prime minister Morihiro Hosokawa on Thursday to discuss a Japanese aid package.

Mongolian prime minister Jasrai is due to meet Emperor Akihito and Empress Michiko at the imperial palace.

Friday: Former UK prime minister Margaret Thatcher is to receive an honorary doctorate at Gakushuin University. Her visit coincides with the launch of the Japanese version of her book The Downing Street Years.

Monday: The Commons' third day of debate on the government's legislative programme laid out in the Queen's Speech will deal with local government in Scotland and Wales. Debates on the Queen's Speech continue until Thursday, covering home affairs, education, trade and industry and deregulation and the economy.

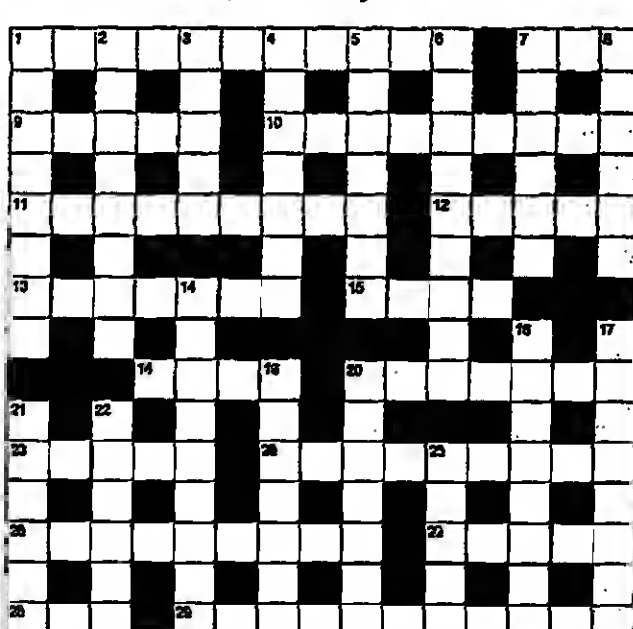
Tuesday: Malcolm Rifkind, defence secretary, will answer defence questions. Mr Douglas Hurd, foreign secretary, will give evidence to the foreign affairs select committee on the European summit to be held in December.

Wednesday: Trade and Industry questions. **Thursday:** Home Office questions are likely to focus on the government's ambitious plans to reform the criminal justice system.

Friday: Commons debate on progress towards national education and training targets.

MONDAY PRIZE CROSSWORD

No.8,312 Set by DANTE



- ACROSS**
- He wants to go back in politics (11)
 - May be lucky for a pick-pocket (3)
 - Quintessential article wins back support (5)
 - Become liable to debts without interest (9)
 - Army signalling? (9)
 - A hit of an act? (6)
 - Fresh lies and disclaimers (7)
 - Deck shipshape? (4)
 - Keeping steady company (4)
 - New name given to one flower (7)
 - Result of test matches or match tests (5)
 - No action required about coach reservation (9)
 - Rational converse? (9)
 - In the meantime, I'm off to Bury! (5)
 - A state in America - no matter which? (3)
 - They go to blazes (4,7)
- DOWN**
- Music in D sharp, nothing unusual at the end of the day (8)
 - Words are not about to stick (9)
 - Switch it up bulb (5)
 - Portentous doctor lifted one with commonsense (7)
 - 19 down itinerant craftsman in poetry (7,7)
 - There's nothing risky with her new type of pudding (9)
 - His job is to transfer stock (6)
 - Not French, but Latin accepted (6)
 - Digits used in an argument - rather excessive! (1,3,5)
 - World water speed records were set here, not sonic however (6)
 - Achievement sure to be written about in newspapers (9)
 - See 5 down
 - To tackle this crossword is beneath Jack - forgive him! (7)
 - A shooting-box? (6)
 - They hold an alternative supposition (6)
 - Kicking oneself for getting rug in bad condition (5)

A prize of a Pelikan New Classic 990 fountain pen for the first correct solution opened and five runner-up prizes of £25 Pelikan vouchers will be awarded. Solutions by Thursday December 2, marked Monday Crossword 8,312 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8NL. Solution on Monday December 6.

Name: _____
Address: _____

Of broking and jobbing the Pelikan's fond.
See how sweetly he puts your word onto bond.



JOTTER PAD

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BERNARD F. QUICLEY,
103-YEAR-OLD CALIFORNIAN.



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